[illegible] Page [illegible]

NAFTA

Nafta on the line
Why defeat could be good for Gatt
Jurek Martin, Page 8

Creative techniques
Imagine...one born every minute
Management, Page 12

Today's surveys
World nuclear industry Section III
Hungary Pages 29-32

FINANCIAL TIMES

Europe's Business Newspaper — WEDNESDAY NO[illegible]

De Klerk and ANC agree on local power-sharing

The South African government and the African National Congress agreed to guarantee the white minority a substantial share of power in local government in a deal intended to placate the white right wing.

The deal, due to be incorporated in the new constitution, marks an important victory for the ruling National party, which has made concessions on power-sharing in central government and regional devolution, but held out on local government power-sharing. Page 16

Opel cost-cutting plan: Adam Opel, German subsidiary of General Motors, will unveil a far-reaching cost-saving plan tomorrow designed to improve productivity at its German plants. Page 16

Srinagar siege lifted: The Indian army lifted its month-long siege of Srinagar's Hazratbal, Kashmir's holiest shrine, after a negotiated settlement with armed separatists. Page 4

Italian budget: Italy's treasury minister, Piero Barucci, became the second senior minister to threaten resignation if parliament fails to pass the 1994 budget by year-end. Page 3; Editorial Comment, Page 15; Barry Riley, Page 17

Honda Motor of Japan's first-half pre-tax profits fell 82 per cent to Y11.1bn ($105m) because of depressed demand in Japan and Europe and a slower-than-expected recovery in the US. Page 17

Ulster peace signal: Sinn Féin, political wing of the IRA, signalled it was not rejecting outright the proposal made on Monday by UK prime minister John Major offering Sinn Féin a seat at the negotiating table in return for an end to IRA violence. Page 9

Boost for homosexuals in military: US military opposition to the admission of homosexuals was dealt a further blow when a federal appeals court ordered the Naval Academy to graduate a student it expelled when he admitted he was gay. Page 8

SPD's Scharping puts stress on jobs

Rudolf Scharping (left) leader of Germany's opposition Social Democrats, warned that higher unemployment was leading to rising crime and growth in support for extremist parties. Opening the SPD conference in Wiesbaden, he called for a party policy focused on job creation, welfare state reform and "a more intelligent organisation of labour". Page 16

China in $700m Airbus deal: European aircraft consortium Airbus Industrie is to sell six Airbus A340 long-range airliners to China in a deal worth about $700m. Page 7

No boost for Russian output: The fall in Russia's gross national product is slowing, according to the government. But industrial output is expected to go on declining. Page 2

Stet, Italian state telecom company, has teamed up with Bell Atlantic of the US in an unexpected last-minute bid for a stake in Matav, Hungary's state telecommunications group. Four bids are being considered. Page 17; Brussels guidelines on telecom market, Page 2; World stocks, Page 44

Volvo chief in merger talks: French industry minister Gerard Longuet had talks with Volvo chief executive Sören Gyll on how to reassure the Swedish motor group's shareholders over the planned merger with Renault. Page 17

Trident submarine curbs: UK defence secretary Malcolm Rifkind confirmed plans to limit the firepower of Trident strategic missile submarines. Page 9; Editorial Comment, Page 15

CHINA

China's economic reforms have brought huge changes and excited investors around the world. Tomorrow's 14-page FT survey highlights opportunities, challenges and practical issues for investors

STOCK MARKET INDICES

FT-SE 100:	3,097.5	(+4.2)
Yield	3.83	
FT-SE Eurotrack 100	1,353.29	(+5.38)
FT-A All-Share	1,526.54	(+0.1%)
Nikkei	18,246.12	(+171.51)
New York: lunchtime		
Dow Jones Ind Ave	3,673.61	(-3.91)
S&P Composite	463.39	(-0.36)

US LUNCHTIME RATES

Federal Funds:	3%
3-mo Treas Bills: Yld	3.147%
Long Bond	101½
Yield	6.159%

LONDON MONEY

3-mo Interbank	5⅝%	(same)
Liffe long gilt future:	Dec 114⅝	(Dec 114⅜)

NORTH SEA OIL (Argus)

Brent 15-day (Jan)	$15.85	(15.82)

Gold

New York Comex (Dec)	$374.6	(375.7)
London	$375.0	(374.25)

STERLING

New York lunchtime:		
$	1.4795	
London:		
$	1.4855	(1.4895)
DM	2.5275	(2.5175)
FFr	8.7575	(8.75)
SFr	2.225	(2.22)
Y	158.25	(158.75)
£ Index	81.3	(81.2)

DOLLAR

New York lunchtime:		
DM	1.7075	
FFr	5.91475	
SFr	1.50465	
Y	106.8	
London:		
DM	1.702	(1.69)
FFr	5.895	(5.875)
SFr	1.4985	(1.491)
Y	106.55	(106.5)
$ Index	66.2	(66.1)

Tokyo close Y 106.65

Austria	Sch30	Greece	Dr300	Lux	LFr65	Qatar	QR12.00
Bahrain	Din1.250	Hong Kong	HK$18	Malta	Lm0.60	S.Arabia	SR11
Belgium	BFr65	Hungary	Ft185	Morocco	MDh13	Singapore	S$4.10
Bulgaria	Lw25.00	Iceland	Ikr215	Neth	Fl 3.75	Slovak Rp	KSL45
Cyprus	C£1.00	India	Rs40	Nigeria	Naira45	South Africa	R12.00
Czech Rp	CZK45	Israel	Shk5.90	Norway	NKr16.00	Spain	Pta210
Denmark	DKr15	Italy	L2700	Oman	OR1.50	Sweden	SKr15
Egypt	E£4.50	Japan	Y500	Pakistan	Rs35	Switz	SFr3.20
Finland	FM12	Jordan	JD1.50	Philippines	Pso45	Syria	S£50.00
France	FFr9.00	Kuwait	Fils 800	Poland	Zl 32,000	Tunisia	Din1.250
Germany	DM3.30	Lebanon	US$1.25	Portugal	Es215	Turkey	L8000
						UAE	Dh11.00

Clinton gains late support ahead of Nafta vote

By Jurek Martin and Nancy Dunne in Washington

EIGHT more members of the US Congress came out in favour of the North American Free Trade Agreement yesterday morning, increasing the perception that this most frantic of vote-catching exercises may finally be leaning in favour of passage and President Bill Clinton.

The 434 sitting members of the House of Representatives (258 Democrats, 175 Republicans and one independent) are due to vote on Nafta late tonight, after eight hours of scheduled debate. A total of 218 votes are needed for passage, one less for defeat, in an outcome considered pivotal both for the Uruguay Round of world trade negotiations and for the political authority of the president.

It is likely that neither side will be able to claim that victory is assured before the final tally begins. The administration, in particular, is counting on promises from Democrats still uncommitted or even leaning against approval but who remain willing, at the crunch, to give a Democratic president his majority.

Most current estimates of the vote are inherently suspect because they come from one camp or the other. The Associated Press news agency yesterday found 203 opposed or inclined to oppose, 201 likely to vote in favour, leaving 30 undecided. This is the smallest deficit so far counted for the pro-Nafta forces. If the "leaners" in the AP survey are excluded, those committed to passage have a slight edge for the first time.

Reflecting this apparent momentum, Mr Clinton summoned 15 pro-Nafta governors to a White House ceremony, while continuing to work the telephones nonstop. Mr David Gergen, his close adviser, spoke on television of "conservative estimates that we're within about a dozen votes ... possibly closer than that".

On Capitol Hill itself, some Nafta supporters were less cautious. An aide to Congressman Esteban Torres, the California Democrat, said 208 votes were now certain, with 15 promises in reserve. "We've won," he declared, perhaps prematurely.

On the other side opponents claimed to have 223 sure votes. One anti-Nafta lobbyist said the margin of defeat would be kept deliberately narrow "so as to save the president's face".

Mr Lane Kirkland, president of the AFL-CIO, the umbrella union organisation, accused Mr Clinton of "abdicating party leadership" by offering support to Republicans who voted in favour of Nafta. He threatened that labour federations may withhold support in next year's elections from Democrats who vote in favour.

Congresswoman Marcy Kaptur, the Ohio Democrat, complained about Mr Clinton "wining and dining people at taxpayer's expense" on behalf of the treaty.

The rest of the country remains ambivalent about Nafta. A Washington Post survey published yesterday found a 42-42 per cent split on the agreement, a slight improvement for pro-Nafta forces, while a New York Times survey found a 41-37 per cent margin against the agreement.

Mexico's few alternatives, Page 6
Nafta a launchpad for Latin America, Page 15

Vote for political change ends days of wrangling by Japanese parties

First round victory for Hosokawa on reforms

By William Dawkins in Tokyo

JAPAN'S coalition government last night won the first round of a parliamentary showdown with the opposition Liberal Democratic party, paving the way for wholesale reforms to the corrupt political system.

A parliamentary committee voted in favour of the plans, ending days of bitter wrangling between the seven-party coalition and a divided LDP.

The Tokyo stock exchange's Nikkei average recovered from Monday's 2.3 per cent fall although investors remained cautious ahead of prime minister Morihiro Hosokawa's visit to the US at the end of the week.

The committee vote means the reform bills are now likely to get majority approval from what is set to be a stormy debate in tha lower house tomorrow. That is the biggest hurdle they face.

The bills will replace the present multiseat constituency system, a Japanese peculiarity blamed for encouraging politicians to use money and influence to get votes, with a mixture of single-seat constituencies and proportional representation.

Yesterday's vote has opened a rift between younger LDP members eager for reform and able to accept the compromises offared by Mr Hosokawa, and older parliamentarians who have spent years and millions of yen building power bases and fear losing their seats under the new system.

Several young LDP parliamentarians yesterday promised to vote for the government's proposal tomorrow, heralding another wave of defections. Officials predicted that between 20 and 30 LDP parliamentarians might defect to ooe of the coalition reform groups. Yesterday's vote follows an early morning breakdown in negotiations between the government and an LDP paralysed by internal divisions. An attempt to reopen talks later yesterday morniog got nowhere, leaving the LDP outmanoeuvred by Mr Hosokawa's success in driviog a wedge betweeo those io favour of political reform and tbe rest.

Tempers frayed yesterday as Mr Yohei Kono, the LDP chairman, likened Mr Hosokawa to a "banana salesman," an unusually pungent insult by Japanese parliamentary standards.

If the four reform bills clear the lower house by the eod of the week, as is likely, they should have enough time to get through the upper bouse, the final stage, by Mr Hosokawa's self-imposed December 15 deadline.

Mr Hosokawa had indicated he would resign if political reform failed to get through parliament by the end of the year. Unless the LDP employs delaying tactics in the upper house, it does oot look as if Mr Hosokawa will have to make that sacrifice.

The proposals have been debated in various forms for the past five years. Failure to achieve political reform has contributed to the downfall of two former LDP governments, finally bringing an end to nearly four decades of LDP rule last July.

Trade surplus grows more slowly, Page 4

THE PROPOSALS

- Lower house seats reduced from 511 to 500, of which 274 to come from single seat districts and 226 from proportional representation
- Two ballots per voter: one for constituency candidate, one for nationwide PR
- Door to door campaigning – currently forbidden – to be allowed from 8am to 8pm
- Donationa to individual politicians to be banned, but donations to political parties or fund-raising bodlea allowed
- Partiea muat dlaclose sources of donations exceeding Y50,000 per year
- Subsidy of Y30.9bn to be offered to political parties
- Independent body to draw up new alectoral districts next year

Japanese premier Morihiro Hosokawa is congratulated after reforms survived a crucial vote — Associated Press

Brussels criticised for waste of money

By Lionel Barber in Brussels

A COMBINATION of weak management, poor financial controls and frand in member states cost European Uoion taxpayers at least Ecn115m ($131m) in 1992, accordiog to a report pnblisbed by tbe Court of Anditors yesterday.

Tbe EU's financlal watcbdog criticises the European Commission for wasting money in fisberies policy, aid to eastern Europe and the former Sovlet Unlon, training programmes in east Germany and a multi-milllon pound Euro-promotion exercise at the 1992 Olympic Games.

The UK and Germany, wbicb are waging a campaign for tighter financial controls on the EU budget, are likely to find plenty of ammnnitlon in the Court's 404-page report.

Waste, frand and inefficieocy cootinues to plague the Ecu36bn Common Agricultural Policy, which represents just over balf of Brussels' annual expenditure. The report identifies oumerous areas where mismanagement and inefficiency is endemic:

- The cost of public storage of agricultural stocks such as cereals and milk prodncts was Ecn4.5bn in 1992. Bnt the Commission was unable to prodoce any records on how cereal prices were estimated.
- High subsidles for milled rice exporters to the island of Reunion in the Indian Ocean

Continued on Page 16

Commission opposes cuts in welfare to create jobs

By David Gardner in Brussels

BRUSSELS has come out against the downgrading of Europe's welfare structures as a way of boosting competitiveness, in a policy document which is expected to top the agenda at the European Unioo summit on December 10.

The conclusions come in the latest draft of the white paper on competitiveness, growth and employment, due to be submitted to EU finance ministers on Monday, and a greeo paper oo the future of EU social policy, expected to be approved at the Commission's weekly meeting.

The papers argue that new jobs must come from a stable macroeconomic framework and "trading up" into better quality goods and services in higher added value areas, rather than through downgrading social protectioo and welfare provisions.

"Competition in terms of price through cost-cutting, in particular with low-wage or cost-structure countries and in certain sectors, is hardly possible without destructioo of the European social structure," a confideotial draft of the white paper stresses.

The same theme informs the more consultative document on social policy, which suggests changes in the balance of taxes and inceotives so that "acceptable and affordable" employment and health and safety standards can be maintained. "Social progress cannot be put on the back burner while we look for solutions to our ecooomic problems," the green paper says.

The white paper recommends lowering the cost of taking on workers through an annual reduction in taxes and social security charges oo labour of between 1 and 2 per cent of EU gross domestic product. This would be compensated by taxes from the greater numbers who would be in work, it argues.

Mr Padraig Flynn, the social affairs commissioner whose department prepared the green paper and most of the crucial jobs sectioo of the white paper – masterminded by Commission president Jacques Delors – disputed the increasingly prevalent view that European welfare levels were the main impediment to international competitiveness.

"I'm saying categorically that there is oo empirical proof of that. What there is is a problem of funding" of social protection, Mr Flynn said.

Other senior Commission officials said there was now ao "overwhelming conseosus" in Brussels that there were two separate problems to be dealt with to achieve the white paper's ambition to halve unemploymeot to 5 per ceot by 2000.

Ways oeeded to be found of tackling the problem of uoemployment amoog the low-skilled, possibly by adding income support to earned wages, one official said. But, he added, the real challenge was to "leap forward, not backwards," into advanced techoology and high added value productioo.

CONTENTS

Brussels spells out telecom guidelines

By Andrew Hill in Brussels

TELECOMMUNICATIONS groups in Europe will have to increase the cost of local telephone calls and charge rival companies for access to the telephone network to fund s basic minimum service for customers once the sector is liberalised, the European Commission said yesterday.

But the Commission said it would be up to individual member states to decide exactly how to fund a "universal service" after January 1, 1998, the date set for opening ordinary telephone services to full competition across the European Union.

The options – which are already being considered by telecoms companies – are contained in Commission guidelines, published yesterday, aimed at helping member states prepare for full competition.

In June, when EU telecoms ministers agreed on the 1998 deadline for liberalisation, they made clear that the definition of a universal service was essential to calm fears about the effects of competition.

At the moment, basic services – such as promising to connect all customers, even those who live in remote areas – are partly funded by profits from international and long-distance calls, which are estimated at up to Ecu16bn ($18.3bn) a year. But increased competition is expected to cut those profits, and without safeguards some member states and national operators fear that rival companies will simply not carry out loss-making obligations.

The Commission has decided to draw a very broad definition of basic services, based on legislation which has alresdy been adopted on the regulatory framework for liberalisation.

For example, the Commission says that basic customers rights in the EU should include: having a phone connected; receiving services – such as installation or repairs – within certain time-limits and according to certain standards; clear complaints procedures; and access to new services such as itemised bills.

The Commission says that although basic services should still be "affordable", the cost of such obligations will have to be met by charging local subscribers more for ordinary phone calls and phone connections, and levying fees on new operators wanting to use existing networks.

EU funds will also be available for "peripheral regions" where the telephone network is less well-developed. Ministers will be asked to adopt a resolution on the Brussels guidelines st their next meeting on December 7.

Germans investing less abroad

GERMAN net investments abroad continued to fall this year, dropping by 18 per cent to DM8.3bn ($4.9bn) for the first six months compared with the same period last year, according to the Economics Ministry, writes Ariane Genillard in Bonn.

Belgium continues to be the favourite foreign location for German companies, which invested nearly DM2bn there for the period, down from DM2.3bn the year before. The US and the Netherlands follow closely, with DM1.5bn and DM974m respectively.

The sharpest decline was recorded in France, where six-month investments dropped by mora than 50 per csnt to DM437m. In comparison, German companies invsstsd DM339m in the Czech republic, which leads as an eastern European investment site.

The overall decline marks the third consecutive year of decreasing German investments abroad after 10 years of nearly uninterrupted growth.

Economists at the German industry federation said the decline reflected the general slowdown in the domestic economy, bnt investments abroad would increase again in coming years.

Associated Press

A group of Ukrainians arriving at Moscow's main railway station yesterday, the second day of new visa rules aimed at controlling crime. Such visitors from former Soviet republics must now obtain registration documents from Moscow police and pay daily fees

Rome heading for clash over subsidies for steel

By Andrew Hill in Brussels

ITALY is heading for a confrontation with its European Union partners over steel subsidies at tomorrow's meeting of industry ministers in Brussels.

The European Commission is today expected to back the hard line of Mr Karel Van Miert, competition commissioner, on limiting subsidies to the EU's state-owned steel industry and cutting capacity. That will set the scene for what should be a stormy industry council tomorrow, with German, Italian, Spanish and Portuguese ministers fighting corners for proposed restructuring of state steelmakers.

Italy is unlikely to be isolated but Rome's restructuring plan for Ilva, the loss-making state producer, will almost certainly be the only restructuring plan not cleared by Brussels before the meeting. Political stakes are high in Italy. Yesterday there were demonstrations by steelworkers in Taranto, southern Italy, which is expected to bear the brunt of proposed closures.

> Mr Carlo Ciampi has complained to Mr Jacques Delors about the tough attitude taken by the Commission

Mr Carlo Azeglio Ciampi, Italy's prime minister, has written to Mr Jacques Delors, Commission president, complaining about the Commission's tough attitude.

Mr Van Miert is pressing for a 2m tonne reduction in capacity at Ilva as a condition for allowing some Ecu2.58bn (£1.96bn) of state aid.

But negotiations between Mr Paolo Savona, Italy's industry minister, and Mr Van Miert on Monday night, though cordial, broke up without agreement, and the Commission said yesterday that it would not soften its line. "It's up to them to close furnaces; it's up to them how they do it," said Mr Van Miert's spokesman.

In the case involving east German steelmaker Ekostahl, the Commission last night agreed an amended plan with the German authorities embracing adjustment of the level of capacity reductions and state aid involved in plans to sell a majority of the company to Riva, a private Italian steel company.

But other member states, including Britain, believe there may still be problems in agreeing even an amended Ekostahl plan, because it involves building new steelmaking capacity at a time when the EU steel industry suffers from overcapacity.

Editorial comment, Page 25

Bonn clash worsens

A DISPUTE betwsen Germany's foreign and defence ministers has flared in public with Mr Klaus Kinkel reported yesterday to have called his colleague Mr Volker Rühe "a lout and a boor" for meddling in foreign policy, Reuter reports from Bonn.

Stern magazine said Mr Kinkel had complained angrily to members of his liberal Free Democrats, the junior partners of Chancellor Helmut Kohl's Christian Democrats (CDU), about the defence minister, Mr Rühe's push to expand his foreign policy influence. Mr Rühe is a member of the CDU.

Output sparks Russia debate

By Leyla Boulton in Moscow

THE fall in Russia's gross national product is slowing, according to government figures published yesterday. But industrial output, which is a key issue in the Russian election campaign, will continue to decline at around last year's rate.

The figures, published by the Interfax news agency, forecast a fall of 10.1 per cent in GNP this year, after a 19 per cent drop last year. Industrial output is expected to fall hy 16.4 per cent, compared with an 18.8 per cent drop in 1992.

Prompted hy the country's poor industrial performance, candidates from at least three major parties yesterday promised more support for Russian industry, and protection against foreign competition, at the annual conference of the Union of Industrialists and Entrepreneurs.

The union is headed by Mr Arkady Volsky, who also heads the electoral list of the separate Civic Union electoral alliance.

Many of the industrialist union's members will vote for Civic Union, and tell their employees to do the same, but some remain undecided.

Mr Volsky criticised the radical ministers of Russia's Choice, the electoral alliance headed by Deputy Prime Minister Yegor Gaidar, who see financial stabilisation as the necessary foundation for economic growth.

A former Gaidar ally, Mr Alexander Shokhin, deputy prime minister responsible for foreign economic relations, addressed the industrialists on behalf of the rival Russian Party for Unity and Accord, saying that it was essential to deny foreign companies equal treatment to Russian companies for s few years. This would give time to Russian companies to cope with market economics while completing the legislation necessary to give adequate protection to foreign investors.

Mr Svystoslav Fyodorov, a millionaire eye-surgeon who owns several businesses and is a candidate for another group, the Russian Democratic Reform Movement, stressed the need to improve incentives for workers. "At the moment it is only profitable for them to rest."

Promises of protection are also to be found in Russia's Choice with Mr Boris Fyodorov, the finance minister, calling for curbs on ths activities of foreign banks.

Czechs attract lower investment

By Patrick Blum in Vienna

DIRECT foreign investment in the Czech Republic has slowed this year with only $455m (£305m) invested in the first nine months, compared with $600m in the same period last year, according to the Czech National Bank, Patrick Blum writes from Vienna.

The results confirm fears in Prague that the level of investment could fall as a consequence of recession in the west and rising production costs in the Czech Republic. The government is concerned that rapidly rising wages are undermining the competitiveness of local companies and deterring investment.

Direct foreign investmsnt since 1990 is estimated at between $1.6bn and $2bn.

Mr Karel Dyba, economy minister, said yesterday he expected the gross national product to grow by between 0.5 per cent and 1 per cent this year, in spite of a decline in industrial production.

NEWS: EUROPE

Rift widens on Italian budget plan

By Haig Simonian in Milan

ITALY'S treasury minister, Mr Piero Barucci, has added his name to that of another senior minister threatening to resign if parliament fails to pass the 1994 budget by the formal year-end deadline.

The threat springs from a growing rift between "technocratic" ministers, who hold some of the key portfolios in the government of Prime Minister Carlo Azeglio Ciampi, and parliament.

Last month, Mr Luigi Spaventa, the budget minister, said he would step down if the 1994 spending plans, for which his ministry is largely responsible, were not passed in time.

Last Friday, the budget was approved by the Senate, the upper house of parliament, after an unusually long examination. It is now before the lower house, where opposition is likely to be even tougher.

Although ostensibly over spending cuts, the budget dispute has been overshadowed by attempts by some politicians to prolong discussions in order to postpone a general election, widely expected early next year. The elections are forecast to register a sharp drop in support for the main political parties. For many deputies under investigation for political corruption, parliamentary immunity has been a lifeline against interrogation and possible jail.

Mr Barucci, addressing foreign journalists in Milan, distinguished between a brief delay in winning approval for the budget and a more serious hold-up. "It would be a severe setback for the prime minister and the three ministers responsible for the economy, especially the treasury", he said. Some observers have already predicted Mr Ciampi would resign on principle if the budget were not passed in time.

On privatisation, now moving into top gear, Mr Barucci said Italy had reached a point of no return. No matter who came to power after the next elections, privatisation was inevitable, he argued. The sell-offs, starting with the Credito Italiano banking group next month, will accelerate in early 1994, with the disposal of two further financial institutions.

The biggest transactions will come later, with the flotation of the Ina insurance group in June and the Enel electricity authority, possibly by December. In 1995, the government expects to sell off shares in the Stet telecommunications authority and the energy side of the Eni energy and chemicals concern.

Mr Barucci regretted that new legislation to create private pension funds had so far failed to produce a response. The attempt to foster a private pensions industry, under discussion for more than a decade, was designed to ease pressures on the overburdened state system and create a new pool of institutional investment capital, partly to facilitate privatisations.

"In reality, the new law doesn't work," Mr Barucci admitted. He said the government would have to redraft the legislation to provide a more effective stimulus.

Mr Barucci declined to say when bank creditors to Efim, the state holding company put into liquidation in July 1992, might be reimbursed. While regretting the government's failure to maintain earlier promises on repayments, he ascribed the delays to constant revelations about alleged irregularities in Efim's affairs.

"The money is ready," he said. But "very big problems" remained in paying it out because of the legal actions being taken by Mr Alberto Predieri, the special Efim administrator, against some former managers.

Italian steelworkers dressed as convicts protesting in Rome against the threat of job losses

Reuter

Protests for jobs in Italy

THOUSANDS of Italians yesterday demonstrated over job prospects to increase the pressure on a government which opponents say is reaching the end of the line, Reuter reports from Rome.

Some 50,000 building workers, angry over the effects of the country's huge corruption scandal on employment, demonstrated in central Rome, while steelworkers protesting against EU production cuts went on strike in the southern port city of Taranto.

Italy's two main opposition parties, the Democratic Party of the Left (PDS) and the fast-growing, pro-autonomy Northern League, are pushing hard for early elections.

In Rome city centre, traffic ground to a halt for the second successive day as a result of demonstrations. On Monday, traffic wardens took to the streets to protest against privatisation plans and to demand better benefits.

Construction work has virtually come to a halt in Rome as city officials suspend investment while a storm rages over bribes paid for public sector contracts. Officials say some 120,000 jobs in the construction sector have already been lost in 1993.

IMF lightens the gloom in Moldova

'Impressive' economic reforms by the republic have raised hopes of loans, writes Virginia Marsh

THE street lights are few and the shops close early because of severe energy shortages, but prospects have brightened in Moldova, one of the smallest former Soviet republics.

Following strong backing for its reform programme by the International Monetary Fund and World Bank, this agricultural state, sandwiched between Ukraine and Romania, could become one of the few ex-Soviet republics to conclude a stand-by arrangement with the IMF this year.

If the government agrees to speed up privatisation, implement tighter monetary policy and liberalise foreign trade and prices, it could unlock $70m of badly needed external financing.

This would be in addition to a $32m loan under the IMF's new systemic transformation facility – designed to aid countries in transition to a market economy – agreed in September, and a $60m rehabilitation loan from the World Bank agreed last month.

The reform programme of Mr Andrei Sangheli's government sets targets for 1994 which include:

- curbing inflation to 1 per cent a month by the end of the year, down from a monthly average of 31 per cent in the first nine months of this year;
- reducing the budget deficit from this year's 6 per cent of GDP target to 3.5 per cent;
- privatising one-third of state property.

Hopes of a deal are high, with the IMF and World Bank describing Moldova's reforms as "impressive" and pointing to a greater degree of consensus on reform among Moldova's leadership than in other parts of the former Soviet Union.

The government has already taken some bold and politically difficult steps. In September, it raised bread and milk prices eightfold overnight, reducing subsidies from 80 to 40 per cent. World Bank officials say it has also stopped granting preferential credits to state companies, some of which were receiving loans at 15-20 per cent, well below the 170 per cent re-financing rate.

It also launched a mass privatisation programme last month, with its first voucher-based auction. Under the scheme, Moldovans receive vouchers according to the number of years they have worked for the state. They can use the vouchers to buy their homes or to buy shares in the 1,580 state commercial companies due to be auctioned off by the end of 1994.

A 50 per cent stake in companies in agro-processing – an important sector given that agriculture contributes around 40 per cent of Moldova's gross national product – is to be given to the farms that have supplied them for the past 10 years, while the remainder will be auctioned.

The State Department for Privatisation hopes to interest foreign investors once companies have been transferred to private ownership. According to Mr Vissarion Cheshuev, the SDP's general director, foreign companies will also have access to a stock exchange, due to be set up next year, which will trade shares in the privatised companies. They can also form joint ventures under existing regulations.

By October, foreign investors from east and west Europe and the US, had invested $52m in some 170 joint ventures, many of them in agro-processing. But few expect foreign investment to accelerate until the country resolves the conflict in its eastern Trans-Dnestr region.

Fearing that the country's ethnic Romanian majority would seek reunification with Romania, Russian speakers on the left bank of the Dnestr river three years ago declared themselves independent from the Moldovan government in Chisinau and set up their own state.

A tense ceasefire has held since fighting claimed hundreds of lives last year, but the conflict and the splitting of the country in two has undermined the economy and complicated reform efforts.

It has also soured Moldova's relations with Russia, which has supported the separatists both financially and through the former Soviet Union's 14th army stationed in Tiraspol, Trans-Dnestr's "capital".

Russia's support of the Trans-Dnestrans is one reason why the Moldovan parliament, which includes a sizeable lobby demanding unification with Romania, voted against joining the Commonwealth of Independent States in August.

However, President Mircea Snegur convinced the parliament and the country that this decision would lead to economic disaster for Moldova, which imports most of its raw materials and 90 per cent of its fuel from the CIS, and he signed the economic union agreement with Russia and other former Soviet republics in Moscow in September.

"We have to accept that our economy is nothing but part of a former huge country's economy," he says.

The president says the majority of Moldovans never favoured reunification with Romania and that the country will pursue a "strong policy of co-operation with the east".

But the government's attempts at rapprochement with Moscow appear to have done little so far to resolve the situation in Trans-Dnestr.

President Boris Yeltsin declined to receive President Snegur on an official visit to Moscow last month, in spite of Mr Snegur's strong support for Mr Yeltsin in his battle against parliament.

Denmark issues warning to Efta's EU applicants

By Hugh Carnegy and Hilary Barnes in Copenhagen

THE FOUR Efta countries applying to join the European Union could lose their chance of gaining membership if they do not complete accession negotiations by the beginning of March next year, Mr Niels Helveg Petersen, the Danish foreign minister, warned yesterday.

He said any delay beyond that date of the negotiations with Austria, Finland, Norway and Sweden could lead the EU to shelve their applications, leaving the four, scheduled to join the community in 1995, to take their chances "the next time around" when expansion to include central and east European countries was considered.

"That is why I say to them 'the time is now, the door is open. Don't hesitate because you might not find the door being that open after March 1.' Speed and determination in these negotiations I think are all important. I would hate to see this opportunity being lost," Mr Helveg Petersen told the FT in an interview.

He said the beginning of March was the latest date that would allow time for the present European parliament to ratify the four accession agreements before new parliamentary elections in June. The community did not want the negotiations "dragging on" beyond then. "Those less enthusiastic about enlargement than others will ask 'when will this end, will it ever end?'," he said.

Denmark is worried about recent opinion polls in Sweden and Norway showing majority opposition to EU membership.

However, Mr Helveg Petersen praised Norway's minority Labour government which is facing strong hostility both within the party and from the main opposition Centre party. The Norwegian government has previously been accused of foot-dragging by EU officials. "The reaction from the Norwegian government has been heroic. There is no hesitation on their part. The community realises the Norwegian government faces an uphill battle."

Bosnian leaders agree to talks

By Laura Silber in Belgrade

WINTER storms yesterday gripped Bosnia as leaders of the three warring parties agreed to attend a last-ditch meeting aimed at salvaging the emergency relief effort in the republic.

Political and military leaders of the Moslem, Serb and Croat communities will meet tomorrow in an attempt to secure access for convoys serving about "3m people who are totally dependent on humanitarian aid for survival", said Ms Sylvana Foa, spokeswoman of the United Nations High Commissioner for Refugees.

The onset of heavy snow has highlighted the importance of the one-day meeting in Geneva, which coincides with growing calls within the UN operation in former Yugoslavia to pull out of Bosnia rather than risk further attacks on relief workers and UN soldiers escorting aid convoys. The convoys are faced with constant blockades despite guarantees of free movement from local military commanders, especially Serb leaders. The UN last month suspended aid convoys destined for about 1.5m people in central Bosnia after a Danish driver was shot dead.

The Bosnian Serb leader, Mr Radovan Karadzic, and his Croat counterpart, Mr Mate Boban, have reportedly agreed to attend the Geneva meeting. However, the Bosnian president, Mr Alija Izetbegovic, will reportedly send a delegation in his place.

The freezing winter weather did not silence the guns in Bosnia yesterday. Serb forces stepped up their offensive on Olovo, north-east of Sarajevo, and some 8,000 Bosnian Serb soldiers massed east of the nearby town of Vares, which fell to Bosnian Moslem forces earlier this month.

THE FINANCIAL TIMES
Published by The Financial Times (Europe) GmbH, Nibelungenplatz 3, 60318 Frankfurt am Main, Germany. Telephone ++49 69 156 850, Fax ++49 69 5964481, Telex 416193. Represented by Edward Hugo, Managing Director. Printer: DVM Druck-Vertrieb und Marketing GmbH, Admiral-Rosendahl-Strasse 3a, 63263 Neu-Isenburg (owned by Hürriyet International). Responsible Editor: Richard Lambert, c/o The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL, UK. Shareholders of the Financial Times (Europe) GmbH are: The Financial Times (Europe) Ltd, London and F.T. (Germany Advertising) Ltd, London. Shareholder of the above mentioned two companies is: The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL. The Company is incorporated under the laws of England and Wales. Chairman: D.C.M. Bell.

FRANCE
Publishing Director: J. Rolley, 168 Rue de Rivoli, F-75044 Paris Cedex 01. Telephone (01) 4297-0621, Fax (01) 4297-0629. Printer: S.A. Nord Eclair, 15/21 Rue de Caire, F-59100 Roubaix Cedex 1. Editor: Richard Lambert. ISSN: ISSN 1148-2753. Commission Paritaire No 67808D.

DENMARK
Financial Times (Scandinavia) Ltd, Vimmelskaftet 42A, DK-1161 CopenhagenK. Telephone 33 13 44 41, Fax 33 93 53 35.

Damages rejected against industrialist

A MILAN court yesterday rejected an appeal for L81bn (£32.9m) in damages against Mr Carlo De Benedetti's Cir holding company by the liquidators of Banco Ambrosiano, the Italian bank which collapsed in 1982, writes Haig Simonian.

The finding concludes a long-running civil court battle brought by the liquidators in relation to share dealings during Mr De Benedetti's two-month stint as the bank's deputy chairman.

A separate criminal case against Mr De Benedetti, who was last year sentenced to more than six years' imprisonment in connection with his role at the bank, is still pending.

Although Mr De Benedetti's lawyers have launched an appeal, further hearings remain blocked until the judges reveal the motivation for their sentence.

The delay in the case, which has now reached 20 months, is a record, even by the slow-moving standards of Italian justice.

Yesterday's decision was "a vote of confidence in what we've always sustained," said Mr De Benedetti.

Earlier this week, he said new evidence would soon come to light proving his innocence in the Banco Ambrosiano affair.

Japan's trade surplus grows more slowly

By William Dawkins in Tokyo

JAPAN'S TRADE surplus widened to \$11.09bn (£7.4bn) last month, showing for the third month running a slower growth rate, or even a decline if measured in yen.

The trend continued by yesterday's figure augurs well for Prime Minister Morihiro Hosokawa's meeting with US President Bill Clinton in Seattle on Friday, at which the Japanese government expects Washington to seek evidence of how it plans to narrow the politically troublesome trade gap.

The October dollar surplus rose by 1.7 per cent from the same month last year, the 34th monthly increase running, but a far slower rate of increase than the 3.8 per cent year-on-year rise in September, said the finance ministry.

Japan's bilateral surplus with the US was \$5.2bn last month, up from \$4.94bn in the same month last year. Japanese exports to the US rose by 3 per cent, while imports rose by a mere 0.2 per cent.

In yen terms, Japan's overall trade gap shrank by 11.2 per cent to Y1,156bn, the same amount as in September. Imports declined by 11.8 per cent, because of weakness of domestic consumption, while exports slipped in yen terms by 11.6 per cent.

Yesterday's trade figures intensified dissent from Japanese business groups over the government's continued resistance to US calls for numerically targeted reductions in the trade and current accounts surpluses.

"It would be easier for Japanese companies to adjust if they had a specific target, such as a certain percentage of gross national product," said Mr Takeshi Nagano, chairman of the Nikkeiren employers' federation.

The government believes such targets are neither desirable nor possible in a free market economy. However, industrialists believe a concession to the US would help reduce the value of the yen, so reducing exchange rate losses and restoring price competitiveness in export markets.

Mohammed Idris, leader of the besieged separatists, hugs his mother as he leaves Srinagar's Hazratbal shrine yesterday Associated Press

Army lifts Kashmir siege

By Shiraz Sidhva in New Delhi

THE Indian army lifted its month-long siege of Kashmir's holiest shrine early yesterday after armed separatists "surrendered" to the state police, following a negotiated settlement.

Officials said 65 people, including an unspecified number of militants, left the marble buildings of Srinagar's Hazratbal shrine in two groups between 1 am and 2.30 am.

The siege has exacerbated a four-year-old uprising against Indian rule in the Himayalan state, the only Moslem-majority region in mainly Hindu India, in which 70 people have died.

However, life in Srinagar and many parts of the valley remained disrupted yesterday, as militants refused to call off a strike imposed two weeks ago to protest against the siege of Hazratbal. Many people remained unconvinced by the government's version of events, shown on national television, that the 63 people captive in the mosque had surrendered unconditionally.

Hundreds of men, women and children tried to break the army cordon to enter the shrine, considered sacred because it houses a holy relic believed to be a hair of the Prophet Mohammed's beard.

Leaders of the All-Party Huriyat Conference, a powerful organisation representing militant groups, said they had information that the army had not yet moved away from the area of the shrine.

The Huriyat leaders, who held an emergency meeting last night, said that members of the Moslem clergy who were called in to verify the authenticity of the relic had not entered the room where it was housed until until late yesterday.

In 1963 when the hair disappeared for almost two weeks, thousands of Kashmiris marched through Srinagar.

In New Delhi, political leaders, especially of the ruling Congress(I) party, were relieved that the month-long stand-off between Kashmiri separatist militants and the government had ended peacefully.

Mr P V Narasimha Rao, the Indian prime minister, has denied allegations that the government had brokered a compromise with militants to end the siege. He insisted that the surrender of the Kashmiri militants was totally voluntary.

Legislation sparks bitter debate

Keating to push land rights bill

By Nikki Tait in Sydney

THE KEATING government yesterday introduced its native land rights bill into the Australian parliament, and indicated that it hopes to have the contentious and complex legislation on the statute book by Christmas.

Mr Kim Beazley, leader of the government's business in the House of Representatives, declined to rule out use of a parliamentary guillotine, saying that speedy passage was desirable to ensure certainty. Mr Paul Keating, the prime minister, also said that "most aspects of the bill" would come into force by January 1, provided parliament approved the package.

However, any forcing of the pace is being resisted by the opposition parties, and by the West Australian government, which is vehemently opposed to the federal package and has introduced rival land rights legislation.

The legislation aims to protect native title where Aborigines can show a continuous link to traditional lands. Aborigines will be empowered to negotiate on land use but will not have the right to veto development. Native title tribunals are to be set up to rule on land claims and set compensation. Mining leases will be validated, but native title rights can be exercised after a grant expires.

The issue has sparked a bitter debate in Australia, with business, mining and conservative political leaders predicting dire economic consequences if Aborigines gained rights to land taken from them by white settlers.

The bill also establishes a National Aboriginal and Torres Strait Islander Land Fund, which will help dispossessed Aborigines acquire and maintain land.

Mr Keating gave no figures yesterday on the size of this fund, or on the expected cost of compensation for the ending of native title claims. An explanatory memorandum attached to the bill said that about A\$6m (£2.6m) had been set aside to fund its initial implementation, but added that it was impossible to identify any direct liability for compensation that the Commonwealth might have to bear, although the sums could be "considerable".

Both the opposition, which has yet to formulate a response to the land rights issue, and the minority parties who hold the balance of power in the Senate, were last night studying details of the bill before declaring their positions.

Six state polls prove gruelling test for Rao

If Congress does badly, intra-party bickering could worsen, writes Stefan Wagstyl

NEARLY a third of India's voters are going to the polls this month in six state elections in the north of the country that are proving the most important electoral test for Mr P V Narasimha Rao, the Indian prime minister, since he launched wide-ranging economic liberalisation in mid-1991.

While myriad personal and local rivalries will colour the outcome in many of the 1,123 constituencies, the results will be a significant test for the ruling Congress (I) party and for the main opposition party, the right-wing Hindu Bharatiya Janata party, which plunged Indian politics into turmoil a year ago when its supporters tore down the Ayodhya mosque.

If Congress does well, the party could rally behind the prime minister and the reforms. But if it fares badly, the intra-party bickering which has plagued Mr Rao for the past year could get worse and undermine the government's ability to handle pressing national problems, including the Kashmir crisis, relations with Pakistan, and further economic reform. If Congress does badly, the BJP has pledged to demand early general elections. In the words of ona expert: "The state elections will set the political tone for some time to come".

Opinion polls suggest Congress is likely to do better than its leaders expected earlier this year. Then, the party was reeling from a wave of support for the BJP, compounded by the political impact of the riots which followed the Ayodhya troubles and the bombings in Bombay.

The past six months have seen no surge of support for Congress but they seem to have witnessed a modest ebbing in the BJP's popularity. BJP leaders badly need electoral success to rekindle the enthusiasms created by their fight to claim for Hindus the Ayodhya mosque site, but early indications are they may not get it.

Congress fared so badly in the last state elections, when the BJP seized control of four of the six states, that it seems certain this time to improve its showing, however little. If it wins back control of even one state, Mr Rao will be able to claim he is turning the BJP tide.

The polls' timing is the product of the Ayodhya crisis. The BJP-controlled governments in Uttar Pradesh, Rajasthan, Madhya Pradesb and Himachal Pradesh were dismissed mid-term last December by the central government for allegedly encouraging the mosque's destruction. Mr Rao put off calling elections immediately, for fear the BJP would benefit from the post-Ayodhya turmoil.

He could not postpone the day of reckoning indefinitely, but the delay seems to have worked in his favour. Largely for administrative reasons, polls are also being held simultaneously in the city of Delhi and Mizoram, in India's remote north-east.

Polling is spread throughout November: Delhi, Himachal Pradesh and Rajasthan have already voted; Uttar Pradesh and Madhya Pradesh vote this week, Mizoram next week. The ballot boxes from the early elections are being held under lock and key until after the vote in Madhya Pradesh, to ensure results from one state do not influence those in another.

Party leaders are enduring an exhausting cycle of public rallies held hundreds of miles apart and separated by long journeys. For many candidates, campaigning hinges on persuading a party leader to pay a visit, however brief, and make some spectacular promise: a new school, a road, an international airport.

The last example is not an invention, but a serious demand from mango-growers in Uttar Pradesh who want to export their fragile fruit without subjecting it to a 500-km lorry ride to Delhi.

Personal position matters more than party. Film stars and the children of former maharajas do particularly well. So do the wives, sons and other relatives of politicians. Money is needed for everything from securing a party ticket to transporting voters on polling day and providing refreshments. Violence is not uncommon; thousands have been placed under preventive arrest, including some candidates.

National issues are obscured in the electoral fray but are not entirely obliterated. Congress speakers do mention economic reform, albeit often in passing. They prefer to discuss vague subjects such as the party'a role in building the Indian nation.

Life-size cut-out figures of Mrs Indira Gandhi and Mr Rajiv Gandhi, the assassinated former prime ministers, are displayed, usually more prominently than those of Mr Rao.

The BJP's campaign centres on attacks on the Congress party'a social policies which it claims favour India's Moslem minority at the expense of the Hindu majority. Ayodhya figures prominently, but less so than a year ago. Speakers also berate the government for its handling of the month-long siege in the troubled northern state of Kashmir where the security forces have surrounded Moslem militants in a mosque. BJP leaders say Mr Rao should have flushed the militants out long ago.

In most constituencies, the fight is mainly between Congress and the BJP. But in Uttar Pradesh, two powerful alternative groupings are also in the running, both left-of-centre and both strongly anti-BJP. One is Janata Dal, led by Mr V P Singh, a former prime minister, and the other the Samajwadi Janata Party, headed by Mr Mulayam Singh Yadav, a socialist popular with the lower castes.

Since Uttar Pradesh is India's largest state and the historical crucible of north Indian culture, its poll result will be especially significant. As one local official says: "When people vote here, Delhi cannot afford to ignore them".

Politicians all at sea as violence racks Algeria

Francis Ghilès reports on the breakdown of law and order in Algeria

ABOUT 3,000 people have been killed in Algeria since the suspension of the electtons 22 months ago that the radical Islamic Salvation Front was poised to win.

The violence has taken on new forms, ootably the torching of factories, schools and forests. Armed bands roam large parts of the country. Some have become de facto no-go areas where army units hunt armed members of radical Islamic groups, the most notorious of which is the Movement Islamiste Armé.

Many of the 350 foreign companies in Algeria have repatriated the wives and children of employees – the number of children attending the French lycee in Algiers has dropped hy a third. All have regrouped to larger towns. Some have asked for army protection.

Racketing and anonymous threats are rife. It is not advised to travel hy Land Rover, a mucb prized vehicle not only for terrorists hut also the thousands of Algerians who make their living in the black market.

Extortion is practised by local gangs – young Algerians whose despair at the hleakness of their future is matched hy contempt for their leaders whom they dismiss as *houkoumat mikky* (Mickey Mouse government).

The politicians they loathe, meanwhile, continue to talk. A Commission of National Reconciliation (CRN), which includes five civilian and three military members, meets regularly in the increasingly desperate hope of finding common ground among "reformers", under which label a rich mixture is to be found.

The now banned FIS is not officially party to these talks though there are persistent rumours that secret contacts have been established between the CRN and more moderate members of the FIS, either in Algeria or abroad.

Tbe fundamentalists for their part are apparently as fragmented as their lay brothers. But those who operate in Algeria have made clear that the Islamic leaders in exile do not speak for them. "We are preparing a larger battle which will only come to an end when this godless regime is destroyed and the last foreigner has left Algerian soil," one MIA leaflet said.

The army, the key fount of power in Algeria since independence, remains in the background.

The key challenge confrooting Algeria is succession. Those who hold power and have run the affairs of state since 1962 still claim their legitimacy rests on their fight against France between 1954 and 1962. That cuts little ice either with younger Algerians – 70 per cent of whom are under 30 and most unemployed – nor with many professionals who are voting with their feet. Hundreds of thousands are already abroad.

The CRN hopes to thrash out a common platform, at the least a truce between the different lay groups. The problem is economic reform, however, where there is little agreement about how to make a radical break with a corrupt and inefficient command economy.

The statistics are alarming: factories are functioning, at best, at 50 per cent capacity; 84 per cent of Algerians between the ages of 15 and 30 are without a job: 102,000 jobs were created annually between 1967 and 1990 when 234,000 were needed; farming yields are the lowest in the Mediterranean; the country imports \$2bn worth of food every year which amounts to more than two thirds of its needs.

The government led, since last August, by Mr Redha Malek is committed to bold economic reform and negotiations with the International Monetary Fund and Algeria's leading creditors. The object is to loosen the noose of foreign deht which thia year will absorb 83 per cent of the country'a foreign income, 97 per cent of which derives from the sale of hydrocarbons.

Massive injactions of cash into state companies which remained unreformed have pushed up the hudget deficit from 7 per cent of GDP in 1992 to 17 per cent this year. Inflation has increased officially by half to 30 per cent and the black market rate of the dinar slipped by about 30 per cent.

An IMF programme probably implemented over a three-year period is seen as key to future western confidence. Mucb depends on Algeria's capacity to implement an agreement, should one be possible. One example of gross mismanagement in the implementation of the June 1991 IMF standby deal was the how money set aside to protect the poorest Algerians against the effects of rising prices was distributed. The then prime minister, Mr Sid Ahmed Ghozali, left the local authorities, then mostly con*trolled* by *the FIS do the job.* They put 7m people on the list, distributed a miserly 140 dinars to each and told them it was a gift from Allah.

Meanwhile the Moslem faith remains, as across the Islamic world, a powerful weapon in the hands of the wretched of the eartb. Many Algerians complain thet western Europe harbours radical Islamic leaders, thet if France, Germany and Britain do not help them "eradicate terrorism" they will come to regret an "Islamic victory" not just in neighbouring Morocco and Tunisia, but right across the southern shores of the Mediterranean.

Strategy on HIV launched by WHO

By Clive Cookson, Science Editor

THE World Health Organisetion yesterday launched a new Aids research strategy which it says "could revolntionise" efforts to prevent the disease.

The WHO, the United Nations health agency, will coordinate e campaign by the world's pharmaceutical industry to develop a safe antiviral agent capeble of killing or inectiveting HIV, the virus that causes Aids. It would probably take the form of e gel or foam which a woman could edminister to har vagina before having sex.

Dr Michael Merson, head of the WHO Aids programme, said a vaginal virucide "would make e real difference to the future course of this epidemic."

The male condom remained the primary means of preventing HIV transmission, he said. "However, faced with the prospect of at least 1m women being infected with HIV every year, it is clear that we need a new method to enable women to protect themselves from HIV infection."

Sperm-killing contraceptives, including the widely used nonoxynol-9, kill HIV in test-tube tests but there is no evidence that they prevent viral transmission in practice. Indeed some clinical studies suggest that their long-term use may increase the risk of infection by damaging the vaginal lining.

The new strategy follows e meeting at WHO headquarters in Geneva, at which representatives of 21 drug companies (including Glaxo and Wellcome of the UK) agreed to a co-ordinated R&D effort. WHO will work with the world's regulatory agencies on e clinical evaluation of virucides.

Dr Merson said an existing compound might turn out to work in clinical trials; if so, it could be used in Aids prevention within two or three years. "A new product may take longer to develop but this meeting has demonstrated a commitment from all sectors to a concentrated research effort."

Moi under fire over tribal violence

AFRICA WATCH, the human rights group, yesterday warned that ethnic conflict in Kenya could degenerate into civil war unless President Daniel arap Moi's government took immediate steps to end the violence, Leslie Crawfurd writes from Nairobi.

In e report on Kenya*, Africa Watch accuses the government of instigating tribal clashes in which 1,500 people have died and hundreds of thousands have heen driven from their homes since the advent of the multi-party system in 1991.

"There is clear evidence that the government was involved in provoking this ethnic violence for political purposes and has taken no adequate steps to prevent it from spiralling out of control," the report says.

"The conflict has been deliberately manipulated and instigated by President Moi and his inner circle and has undermined ettempts to create an atmosphere conducive to political pluralism in Kenya."

"The culture of violence that is taking root has made real the alarming possibility of civil war in Kenya," the report says.

The majority of the victims of the ethnic clashes are peasant farmers of the Kikuyu tribe, the largest and wealthiest ethnic group in Kenya, who are distrusted hy President Moi, e Kalenjin, and his coalition of minority tribes.

The report comes et an embarrassing time for Kenya, which is due to meet donors next week to discuss the restoration of financial aid.

Although President Moi recently announced a $20m (£13.4m) programme to resettle displaced victims, co-sponsored hy the UN Development Programme, Africa Watch urges Kenye's donors to continue withholding aid until the government takes effective steps to curb the violence.

"These ateps should include, et a minimum, the full and public investigation of allegations of the involvement of government officials in the violence, and the hringing of charges where there is evidence of wrongdoing," it says.

*Divide and Rule: state-sponsored ethnic violence in Kenya, published by Africa Watch, 485 Fifth Avenue, New York, NY 10017-6704, tel: 1 212 972 8400.

Palestinians want own central bank

By Julian Ozanne in Paris

PALESTINIANS negotieting future economic relations with Israel yesterday insisted on their own central bank with the power to issue e separate currency and wide-ranging powers of independent decision-making in trade and taxation policy.

In the first set of Palestinian-Israeli economic talks, which concluded in Paris last night, Palestinian delegates stressed they were seeking real economic sovereignty in the occupied Gaza Strip and West Bank area of Jericho and wanted independent economic decision-making to lay the basis for statehood. Israel is due to start a four-month military withdrawal from Gaza-Jericho next month.

Despite public statements by heads of both delegations ebout the good atmosphere at the talks, deep divisions are apparent. On the critical issue of Israel's proposal for e customs union, Palestinian delegates said they would not accept Israeli impostition of a uniform customs and tax regime; they wanted all customs revenues on Palestinian imports to accrue to an independent Palestinian treasury and would insist on free trade with Jordan. They also object to the word "union" which they believe carries unacceptable political implications negating their claims to sovereignty.

"We don't reject a customs union but we want to have our own economic decisions ebout customs, taxation and investment policy," said Mr Mohamed Abu-Koash, PLO director for international economic affairs. "But after 27 years of occupation we want to decide how best to develop our economic interests and sectors and encourage the right investments and we cannot begin with the same taxes as Israel."

Mr David Brodet, Israel's director of the state budget, was more optimistic. "Both sides agree on the need for the free movement of goods, services and labour between Israel and the Palestinian economy. There will be some exceptions and maybe a phased exposure but the princlple is agreed and everything else can be negotiated."

In money and banking the Palestinians made it clear for tbe first time they want an independent central bank with full powers to issue a Palestinian currency, control, license and hold tbe reserves of commercial banks and to direct monetary policy. "We are talking about the economic sovereignty of the Palestinian nation," Mr Abu-Koash said. "We are not going to let anyone else exercise the rights over our monetary policy. We will have a purely Palestinian institution."

Israel is unhappy about the imminent prospect of a Palestinian central bank and prefers a gradual handover of monetary policy beginning with a Palestinian currency board. Palestinians also said they wanted Israel to remove barriers to Palestinian and Arab investment.

The two sides agreed to establish three sub-committees to meet in Paris next week to bridge the differences of opinion on economic relations. They will focus on the main poltcy issues: trade and labour; money and banking; and fiscal policy. A joint statement said economic co-operation would be based on "reciprocity, equity and fair economic relations as well as the enhancement of the role of the private sector in promoting economic growth".

Boys peer through a hole on a house roof yesterday after an Israeli hellcopter raid on their south Lehanon village Reuter

Iraqis protest against Kuwaiti security trench along border

HUNDREDS of Iraqi intruders planted the Iraqi flag on Knwaiti territory yesterday to protest against a border security trench being dug by the emirate, the United Nations said, Reuter reports from Kuwait.

About 250 Iraqis threw stones to chase away workers digging the trench which they said had been built on Iraqi farms without warning.

It was the second border confrontation in a month between Kuwait and its former occupier. It came two days before the UN Security Council holds e regular 60-day review of economic sanctions imposed on Baghdad for its August 1990 conquest nf the emirate.

"The Iraqi liaison officer to Unikom... stated (to Unikom) this was a peaceful demonstration by the Iraqi farmers engry abont the digging operations through their farms withont any warning, e Unikom statement said.

"He added that they had been led to understand that the trench would only be dug through their farms once compensation had been resolved by the UN headquarters in New York."

Pro-Israeli militiamen captured in Lebanon

Syria accused over flare-up

By David Horovitz in Jarusalem

ISRAEL yesterday accused Syria of fomenting e worsening of bostilities in southern Lebanon, during which 12 members of a pro-Israeli militie were captured by Hizbollah gunmen.

Yesterday's violence was the worst since Israel and the Palestine Liberation Organisation signed their peace accords in Washington two months ago. Israeli ministers claimed Syria had ordered the Hizbollah attacks, out of frustration et Israel's refusal to meet Demascus' peece demands by withdrawing from the Golan Heights.

Lebanon's Defence Minister Mohsen Dalloul claimed Israel was beigbtening tension to undermine "positive moves towards a just peace".

During tbe fighting, between Hizbollah, and Israeli troops and their South Lebanon Army militia allies, two Israeli soldiers were wounded by rockets landing metres from tbe Israeli border. Hizbollah launched grenades against six villages inside Israel's self-proclaimed south Lebanon "security zone".

Clinton reticent on Korean exercise

PRESIDENT Bill Clinton yesterday refused to say if the US would cancel a military exercise with Sonth Korea if North Korea allows inspection of its nuclear facilities, Reuter reports from Washington.

"I'm not at liberty to comment on that now. The negotiations are going on and I don't think I should comment. I'll have more to say about that, I hope, in the next few days," he told reporters.

The Washington Times reported yesterday Mr Clinton's foreign policy advisers want him to cancel Operation Team Spirit, a joint military exercise by the US and South Korea planned for the spring, in exchange for e North Korean pledge to end a dispute over nuclear development.

Pyongyang, which for years has angrily denounced the manoeuvres as a dress rehearsal for an invasion of the North, has reportedly offered to let International Atomic Energy Agency inspectors visit its nnclear complex.

Secretary of State Warren Christopher, Defence Secretary Les Aspin and National Security Adviser Anthony Lake discussed tha matter on Monday, but when asked about the offer, Ms Dee Dee Myers, White House press secretary, said: "No decision has been made."

Papua New Guinea exchange

Papua New Guinea could get its own stock exchange by the second half of 1994, the government announced yesterday, Nikki Tait writes from Sydney.

The exchange would be hased on Australian Stock Exchange rules and its formation would be subject to e minimum level of interest from hrokers and dealers. However, "Once e minimum of five members have agreed to participate the exchange will open for business," Sir Julins Chan, PNG's finance and planning minister, said yesterday.

Hung parliament in New Zealand

The prospects of New Zealand heving a hung parliament eppeared to be growing last night after the initial count of special votes cast in six of the 18 marginal electorates, Terry Hall reports from Wellington.

The ruling conservativa National party remained stuck on its election night total of 49 seets – two short of the amount necessary for a parliamentary majority.

Angola peace talks held

The Angolan government and Unita rebels have beld two rounds of face-to-face talks in the Zambian capital as part of e UN-brokered bid to halt their civil war, an official said yesterday, Renter reports from Lusaka.

"Both Unita and the Angolan delagation first met last night at e secret location and they met again today. Talks so far are going on well but 1 cannot give you any other details," the official said.

NEWS: NAFTA COUNTDOWN

Optimism over Uruguay Round accord

By David Dodwell and Frances Williams in Geneva

OPTIMISM has grown this week among trade negotiators in Geneva that a trade liberalising Uruguay Round accord can be completed successfully by the deadline of December 15, despite concern over the potentially damaging impact of rejection by the US Congress of the North American Free Trade Agreement.

"You can see it coming together," a top US negotiator noted: "It's hard to believe that any of the issues remaining will hang the agreement."

Although negotiators failed to meet the November 15 deadline for completion of a tariff-cutting market access package, confidence has been buoyed by successful completion of draft texts on a proposed Multilateral Trade Organisation to succeed Gatt and improved disputes settlement.

EU negotiators are also due to table proposals for trade in audio-visual services, while the US is urging reform of dumping rules.

The slippage in the market access talks largely reflects the inability of the US and EU to resolve their outstanding differences. Next week's meeting in Washington between Sir Leon Brittan, EU trade commissioner, and Mr Mickey Kantor, his US counterpart, is critical in breaking the logjam between the two.

The EU says it will lower fish tariffs and will cut duties on electronics and non-ferrous metals if the US cuts very high textiles tariffs. Washington is due to table a revised tariff offer in Geneva this week.

US negotiators made light yesterday of the effect on the Uruguay Round talks of Congressional rejection of Nafta. "A lot in Congress who voted against Nafta would go out of their way to say they are not going protectionist," said one.

WHAT IS NAFTA?

[illegible]

GENERAL PROVISIONS

[illegible]

INDUSTRIES

[illegible]

SIDE AGREEMENTS

[illegible]

OTHER DEALS

[illegible]

Mexico enjoys few alternatives

By Damian Fraser in Mexico City

MEXICO'S plan to expand trading relations with Europe, Latin America and Asia if the North American Free Trade Agreement is rejected by the US Congress today faces the problem that many non-Americans are less likely to invest in Mexico without it.

In an effort to lessen its dependence on the Nafta, Mexico has already signed a free trade agreement with Chile, and plans to sign new accords with Venezuela and Colombia by the end of this year.

The government hopes to become a full member of the Organisation for Economic Co-operation and Development by next spring, and is actively looking for bilateral investment agreements with Europe and Asia.

Its threat to diversify trade away from the US has been used by President Bill Clinton as an argument in favour of signing Nafta. If Nafta was rejected, he said, Mexico might sign trade agreements with Japan or the European Union. "That could change the purchasing habits of 90m Mexicans and hundreds of millions of people in Latin America," he warned.

However officials in Mexico City from the European Union and Japan say there is no interest in signing a special trade agreement with Mexico. Such an accord would be contrary to their policies of seeking multilateral trade agreements and would upset strategically more important countries, they say.

Even if there were such agreements, the economic effect would be slight, given the small role their countries play in Mexico's economy, the officials say.

"Mexico has 70 per cent of its trade with the US, and will never have that with Europe and Japan," says Mr Jacques Lecomte, the representative of the EU in Mexico City.

From 1989 to August this year Mexico received more than 65 per cent of its foreign investment from the US, 18.7 per cent from the EU and 2.2 per cent from Japan. And the proportion of new investment from the US is growing.

Businessmen and diplomats from the EC and Japan say a rejection of Nafta would probably have a negative impact on their trade and investment with Mexico. While Nafta discriminates against European and Asian companies in investment rules and tariffs, the treaty gives Mexico guaranteed access to the US market, and would increase growth, making the country more attractive to outside investors.

"Without the treaty in place it will be difficult to continue investing in Mexico," says Mr Ryuhei Kato, the head of the Japanese Chamber of Commerce in Mexico City. "It will change the whole perspective of the Japanese presence in Mexico."

Mr Masasumi Yamamoto, Japan's commercial attaché in Mexico City concurs. "Some Japanese companies are considering investing in Mexico to export to the US. In this sense the failure of Nafta would lessen interest in the country and affect investment negatively," he says.

Congress gears up for vote

By Jurek Martin in Washington

NAFTA

THE WIDESPREAD assumption is that if the North American Frse Trade Agreement is defeated in the House of Reprssentatives tonight ths cause of liberalised world trade is in deep trouble.

There is little doubt, for example, thet an even bigger cloud will promptly gather over the head of the Uruguay Round, itself due to be completed by the congressionally mandated deadline of December 15.

Yet there is one element in this equation which may not stand up to scrutiny – that a defeat for Nafta denotes such a depth of protectionism in Congress that even if the Round is concluded it, too, would face certain rejection on Capitol Hill.

The pro-Nafta forces, led with exceptional intensity as the vote approaches by President Bill Clinton, understandably prefer to confine public connections between the two to warnings of the fearful consequences for the wider agreement and for the damage a Nafta defeat would inflict on US leadership as it pursues a more open global trading regime.

In private, however, Nafta's supporters, and even some of its opponents, will even go so far as to argue that a cathartic rejection of the hemispheric pact would, if anything, reinforce prospects of the Uruguay Round getting through. But to admit this openly would, for the administration, have the effect of lowering the stakes and thus raising chances of Nafta's rejection.

Everything, of course, initially depends on there being a Gatt agreement at all, the hopes for which will certainly not be improved if Nafta goes down. But US diplomats are quite encouraged by signals from Europe that French resistance to agricultural concessions may be softening and that it will not use a defeat for Nafta as a cover for its own refusal to reach agreement in the Uruguay Round.

Mr Edouard Balladur, prime minister, is understood to have heen particularly impressed by last week's OECD report which concluded that a Gatt agreement could enrich the world by as much as $270bn by 2002, the highest independent estimate yet of the potential accrued benefits.

But the key to the more optimistic US privats scenario is the sense that it will be hard to duplicate in Congress the sort of opposition to the Uruguay Round that, win or lose, has characterised the Nafta debate.

Some elements of the anti-Nafta coalition, which includes the far right and the progressive left, will remain dead set against the Uruguay Round. Mr Ralph Nader's populist consumer movement, for example, sees it as yet another plot by multinational corporations to extend their hegemony over the international economy.

The "America First" lobby, associated with Mr Pat Buchanan, the conservative ideologue-politician, is inherently suspicious of international entanglements. Mr Ross Perot, last year's independent presidential candidate, is also making threatening noises against the Round. But the clout of the populists in Congress still does not even remotely approximate that of organised labour.

And the trade union movement, which has made Nafta into such an immediate life-or-death jobs issue that it has entered into unholy alliances with the populists of the right, has no record of entrenched opposition to global trading accords as a matter of first principle.

Indeed, since President Kennedy secured passage in 1962 of his Trade Expansion Act, no global bill has faced a tough fight in Congress. This is essentially because congressmen, including those on the left of the Democratic Party, do not like being labelled protectionist. Vice president Al Gore knows this full well from his years in Congress.

Gatt agreements, often imperfectly understood on Capitol Hill, rarely can be construed to pose particular threats to the constituencies of individual members. As one lobbyist observed this week, "It is hard to get people in Evanston, Illinois, excited about competition from Malaysia."

Nafta, on the other hand, deals with two neighbours, Canada and Mexico, the second of whom is demonstrably different from the US politically, socially, and in its economic development. It is a very particular US policy initiative, with no exact antecedents.

Any consolation that believers in free trade may take from the above argument does not reduce the importance of tonight's vote. Even allowing for the hyperboles being thrown by both sides, the US political bottom line is that the authority of the president is at stake, as may be the political future of this incumbent, Bill Clinton. This, in turn, has imponderable international ramifications on issues way beyond free trade.

US TEXTILES CAUCUS URGES TOUGHER STANCE IN TRADE TALKS

By Nancy Dunne in Washington

PRESIDENT Clinton is being pressed by members of the House textiles caucus to harden the US stand in textile negotiations in the Uruguay Round to win votes for the North American Free Trade Agreement.

Ten congressmen from textile and apparel producing states last week told the president that commitments on a number of issues – including the Uruguay Round – "would help decide our vote on Nafta and could influence the vote of other Members with textile and apparel constituencies."

The Clinton Administration is engaged in a frantic last minute effort to eke out 218 votes in favour of Nafta. Most of the members, who signed the letter, are undecided or planning to vote against Nafta, but thsy are less worried about Nafta than the Uruguay Round. However, in Geneva the US is being pressed to make further concessions by lowering its highest tariffs.

"The US has already made significant concessions in the Uruguay Round," they said in a letter to the President. "If you want support for Nafta from members from textile constituencies, extend the phase-out of the Multifibre Arrangement from 10 to 15 years."

This would also be supported by the Caribbean countries, who "realise that it will be hard for them to compete in the US market against lower-wage nations like China once trade-allocation by quotas is eliminated."

The congressmen said the staging of tariff reductions and quota phase-outs should be gradually implemented over a 15 years. For quotas, the US should not agree to lift restrictions on products for which foreign market penetration exceeds 20 per cent until the last possible stage.

The US industry and their European counterparts are close to agreement on tariff reductions, they added. "Our government should make no offer beyond the levels European and American industry have discussed."

Japan threat to delay Gatt offer

By Michiyo Nakamoto in Tokyo

JAPAN'S minister of agriculture, Mr Eijiro Hata, yesterday indicated Tokyo may not submit its list of market access offers on agriculture to Gatt by the end of the week due to a lack of progress in negotiations, notably on the controversial rice issue.

Member countries are expected to table their offers by the end of this week to meet the Uruguay Round trade talks deadline of December 15.

Japan does not want to be seen as being responsible for obstructing the successful conclusion of the Round, but it has continued to maintain an inflexible stance on the opening of the country's rice market.

During meetings with Sir Leon Brittan on Monday, Japanese politicians kept up their show of resistance to tariffication of rice, maintaining rice was too sensitive a domestic political issue.

Japan is offering to reduce tariffs on manufactured goods by 60 per cent.

However, outside the agriculture ministry officials say various initiatives are being taken to seek a solution to the rice issue. There is a growing recognition that Japan cannot expect rice to be made an exception and it would be better to take the initiative in negotiating as favourable a deal as possible. "We must not allow the Uruguay Round to fail as a result of Japan's rice problem," one official said.

"Japan finds it difficult to accept tariffication as presented in the Dunkel text," a trade official close to the Uruguay Round talks said. "We are negotiating ways to modify this scheme."

One possibility would be to accept minimum access to a certain percentage of the rice market without subjecting the remainder to tariffication, though this is unlikely to be acceptable to exporting countries.

Another possibility would be to introduce tariffication but on a more gradual timescale than the six years called for in the Dunkel text in order to minimise the impact.

It is also conceivable that Japan might agree to tariffication after a certain grace period – the deal widely reported as being agreed with the US. Japan has been warned, however, that modification of the Dunkel text will be very difficult.

Vietnam contract for Laing

By Stewart Dalby

JOHN LAING, the British construction group, has won a contract to design, construct and operate a new $50m (£33.5m) international passenger terminal at the Noi Bai Airport in Hanoi, subject to a feasibility study which should be completed this year.

John Laing International is the first British company to win a licence for construction since the late 1980s. The terminal will be built in conjunction with the Northern Airports Region of Vietnam.

The terminal, which would be ready in two years, could handle 2.5m international passengers, against a current traffic of 500,000.

It will apparently be based on Birmingham International Airport's Eurohub terminal, built by Laing Midlands.

The contract was initialled last summer following a visit to Britain of Mr Vo Van Kiet, Vietnamese prime minister.

Mr Bruce Boys, managing director of John Laing International, said: "We are obviously pleased to be one of the first British companies to be involved in Vietnam's expansion. We feel there will be huge investment in Vietnam in the next few years."

GERMAN industrialists accompanying Chancellor Helmut Kohl on a visit to China yesterday signed some 20 contracts and letters of intent worth approximately DM3bn (£1.1bn), David Waller reports from Frankfurt.

The contracts, signed in Beijing in the presence of Mr Kohl and Mr Li Peng, Chinese premier (pictured above), are the fruits of intensive efforts by German industry and government to cultivate China as the growth market of the future for exports of capital goods.

Among the deals signed yesterday was China's purchase of six A340 airbuses worth DM1.2bn. In addition, a consortium consisting of Siemens and AEG signed a DM628m letter of intent to build a new 18km stretch of underground railway in Guangzhou in the southern province of Canton, which is due to start running at the end of 1998.

German companies will also build three power stations and German shipyards will supply eight ships, contracts worth DM450m and DM500m respectively. Deutsche Aerospace, the aerospace subsidiary of Daimler-Benz, will be building telecommunications satellites.

Deutsche Waggonbau, a state-owned company in the east of Germany, signed a contract to supply DM165m of railway wagons for the Chinese railway system. Other contracts were for the building of a fork-lift truck factory, and potash and machine-tool deliveries.

Mr Kohl is accompanied on his week-long tour of China by 40 of Germany's most senior industrialists, including Mr Edzard Reuter, chief executive of Daimler-Benz, Mr Heinrich von Pierer of Siemens and Mr Ferdinand Piëch of Volkswagen, an indication of the importance that Germany places on China's market.

China signs $700m order for six A340s

By Paul Betts, Aerospace Correspondent

CHINA yesterday signed a contract to buy six Airbus A340 long range airliners worth about $700m.

The deal, signed between the European aircraft consortium and the China Aviation Supplies Corporation (CASC), is a breakthrough for Airbus in the fast growing Chinese aviation market.

Airbus expects Chinese airlines to buy about 620 aircraft between now and 2011 to replace older aircraft and provide capacity for growth currently averaging about 30 per cent a year.

China Eastern in Shanghai, China Northwest in Xian and China Northern in Shenyang, are already Airbus customers and operators.

China Eastern has already ordered the new A340 aircraft, while two Chinese manufacturers – the Shenyang Aircraft Corporation and the Xian Aircraft Company – are supplying parts for Airbus aircraft.

The four-engine A340s ordered by China are powered by CFM56 engines jointly manufactured by General Electric of the US and Snecma of France.

However, Rolls-Royce, the UK aero-engine group, which also makes engines for the Airbus, yesterday won business worth about £70m to supply engines, spares and maintenance support for nine Fokker twin engine regional jets ordered by British Midland, the UK's second largest scheduled service airline.

The deal is part of a four-year £275m fleet acquisition plan announced by British Midland.

The UK airline is acquiring on lease arrangements 17 jets including five Fokker 70s, five Fokker 100s, and eight Boeing 737-500s to replace 13 older McDonnell Douglas DC-9s and four Boeing 737-300s.

British Midland is thus the launch customer for the new 75-seat Fokker 70 which it intends to use on its smaller regional domestic and international routes.

The average age of British Midland's fleet will fall to just four years.

Hosokawa on a tightrope

Japan hopes to balance US and Asia, writes William Dawkins

MR Morihiro Hosokawa, Japan's prime minister, will step on to a diplomatic tightrope when he goes to Seattle next Friday for the first summit meeting of the Asia Pacific Economic Co-operation forum.

The Tokyo government aims to strike a balance between the conflicting ambitions of its US and Asian allies in a region which includes some of the world's fastest growing but most diverse economies.

This requires sensitive handling by Japan. Most of Apec's Asian partners – China, Hong Kong, Indonesia, South Korea, Taiwan, Brunei, Malaysia, the Philippines, Singapore and Thailand – prefer to keep Apec vague and informal.

That way, it can contain members of a region far more economically and politically diverse than Europe ever was, they argue.

Some, such as Malaysia, are also wary over what they see as attempts by non-Asian members led by the US to exert economic dominance through Apec.

Officially, Japan stands somewhere in between the Asian and US camps. It hopes to gain regional influence by upsetting neither of them, even if it has no strong ideas of its own on how Apec should develop.

It cannot afford to offend its traditional military protector and biggest trading partner, the US, with which it shares free-market policies, despite perennial rows over each other's alleged protectionism.

Yet it is also keener than ever to develop Asian ties. The region is a growing destination for Japanese foreign investment and of increasing diplomatic importance as Japan takes a more pragmatic view of its US partnership after the end of the cold war.

"The US seems insensitive to Asians' feeling that Apec should not be a negotiating forum," says a senior Foreign Ministry official.

Japanese officials live in horror of further offending Dr Mahathir Mohamad, Malaysian prime minister, who is suspicious of so-called white countries' Asian economic ambitions and has refused to come.

Sensitive to concerns such as these, Mr Hosokawa will reject suggestions in the report that Apec should take part in negotiations on international trade liberalisation, say officials. He will call on partners to respect the political, social and cultural variety of Asian nations.

Japan wants to set an "Apec style" rather than a US or Asian style of economic management, adds Mr Takeshi Isayama, director general of economic co-operation at the Ministry of International Trade and Industry.

At the same time, Mr Hosokawa will make one gentle step to pushing Apec forward by proposing a conference on cultural exchange.

This could capitalise on the improvement in Japan-Asian relations achieved thanks to apologies offered by Mr Hosokawa for Japan's wartime aggression over the past few months, the most explicit ever made by a Japanese leader.

At the same time, the culture exchange idea is calculated to be suitably vague for the cautious Asians, and unlikely to rekindle fears of Japanese economic expansionism.

UK companies in Indian power deals

By Stefan Wagstyl in Bombay

ROLLS ROYCE and National Power of Britain yesterday announced plans to invest in two power stations in India. Tha moves suggest foreign groups are beginning to overcome the regulatory and other hurdles restricting entry into the Indian power industry.

The announcements were the highlight of the opening day of a week of British business events in Bombay which included meetings between businessmen, and between Mr Manmohan Singh, the Indian finance minister and Mr Douglas Hurd, the British foreign secretary.

National Power, the generating group, together with Ashok Leyland, the Indian operating company of the London-based Hinduja business family, plans to take a 51 per cent stake in a Rs32bn (£684m) project for a 1,000MW coal-fired plant at Visakhapatnam in the central Indian state of Andhra Pradesh.

The power purchase agreement is the first of its kind for a big power station. The government has been encouraging privata companias, including foreign groups, to invest in power to alleviate chronic shortages, but the terms of powar purchase agreemants and of government guarantees have proved a stumbling block in many of the 40-plus projects under discussion. Indian officials hope the National Power agreement will now encourage other investors to press ahead with their negotiations.

Rolls-Royce plans to invest in a Rs20bn station in partnership with the R P Goenka group, a Calcutta-based business combine. The 500MW plant is to be built at Chandil in the eastern state of Bihar. The partners propose to share a 40 per cent stake with the rest of the equity coming from a public issue, topped up with bank loans. Rolls-Royce is to have a £275m turnkey contract to supply equipment, much of it from the UK.

US court boost for gays in military

By Jurek Martin in Washington

US MILITARY opposition to the admission of homosexuals was dealt a further heavy blow yesterday when a federal appeals court ordered the Naval Academy to graduate a student it had expelled six years ago when he admitted to being gay.

The case in question predates separate legal challenges to the Clinton administration's current "don't ask, don't tell" policy, under which the military no longer asks about a potential recruit's sexual orientation but retains the right to dismiss anyone who is openly homosexual.

But the language of the appeals court's unanimous judgment in reversing a lower court ruling was sufficiently sweeping to call into immediate question the chances of overturning the current policy.

Chief Judge Abner Mikva wrote that it was "inherently unreasonable" that the military should justify a ban on gays on the presumption that "a certain class of persons will break the law or the rules solely because of their thoughts and desires."

The ruling also rejected the contention that service in the armed forces removed some of the constitutional protections afforded private citizens. "There is no 'military exception' to the constitution," it said. "indeed, even when the Supreme Court has deferred to military judgment, it has been careful to do so only within the confines of ordinary constitutional analysis."

> "No 'military exception' to the constitution"

"When the military fails to accord individuals the equal protection of the laws, it treads upon an area of expertise that has long been conceded to the courts," the judgment declared. "America's hallmark has been to judge people by what they do and not by who they are."

The court's logic is very similar to that advanced by President Bill Clinton whose controversial insistence on ending the 50-year ban on homosexuals has been rooted in the argument that only conduct in uniform should be the determining factor in a person's fitness to serve.

The case concerned Mr Joseph Steffan, expelled from the Naval Academy in 1987, just before he was due to graduate, after a navy investigation had confirmed that he had told a fellow cadet he was homosexual. His initial appeal against expulsion was dismissed by a lower court.

Popular president: Rafael Callejas, pictured at the ballot box in 1989, now constitutionally prohibited from standing

Caracas suspends sell-off plans

By Joseph Mann in Caracas

VENEZUELA'S privatisation programme has been suspended this week until after a new president is elected on December 5.

The move, ordered by President Ramon J. Velasquez, is a serious blow to the government's highly regarded privatisation team and means that bidding on state assets will be delayed, perhaps until after a new government takes office in February of next year.

Mr Julian Villalba, head of the privatisation programme, said the suspension was a "political decision" taken as a courtesy to the next chief executive. The leading candidate in Venezuela's current presidential campaign, Mr Rafael Caldera, has expressed reservations about the privatisation programme.

As a result of the delay the Venezuelan treasury will not receive at least $700m from sales of assets planned over the next few months, he added. The cash-strapped government will also have to continue financing money-losing concerns due for privatisation.

Several large state-owned assets were scheduled to be sold through international bidding in November and December. They include three electric power companies; Aeropostal, an airline with domestic and international routes; and the Caracas Raceway.

Venezuelan and international companies had expressed interest in these and other assets.

BAT confident on insurance inquiry

BAT Industries said yesterday it was confident that its US Farmers Insurance subsidiary would pass with flying colours a review into its procedures launched by Mr John Garamendi, California's insurance commissioner, agencies report.

The review follows a court award of $57.8m (£38.7m) in punitive damages last month against one of Farmers' insurance exchanges in a suit launched by a client.

Farmers intends to contest the judgment, which would not hit profits, because of the way its business is structured, it said.

But the uncertainty, plus profit-taking, meant BAT shares slipped 13p to 503p in London trading yesterday.

The case goes back to 1989, when Surgin Surgical was sued by a competitor for patent infringement.

When Surgin sought to have Farmers' subsidiary Truck Insurance pay for its defence it was denied coverage. After Surgin filed suit against Truck for bad faith, the insurer allegedly destroyed documents that would have been used in the discovery stage of the case, Mr Garamendi said.

Mr Garamendi noted in launching his inquiry that the case judge had referred to Truck Insurance's behaviour as "despicable, vile, malicious, fraudulent and oppressive."

However, a BAT Industries spokesman said yesterday: "Farmers' customer service ranks among the best in the insurance industry. The company is confident the review of its procedures by the state department of insurance will affirm this."

He added that the award had not yet been formally entered into court, but when it was, Farmers would appeal on the grounds that the judge exceeded his powers.

FTC looks into drug mergers

A US Federal Trade Commission official yesterday confirmed the agency was investigating pharmaceutical company mergers, drug prices and efforts to stall market entries by competitors, Reuter reports from Washington.

Mr Mark Witner, the FTC's acting deputy director, bureau of competition, told the Senate Ageing Committee the commission had recently conducted investigations of horizontal and vertical mergers in the drug industry. "Some of these investigations continue," he said.

The commission is also investigating alleged price discrimination in prescription drug distribution, he added. "We are also examining in another investigation, the possibility that an incumbent firm has abused regulatory processes in order to defeat or retard market entry by a competitor."

Cold war polemic in Honduras

Edward Orlebar on 'communist' and 'fascist' insults between presidential candidates

THE rhetoric of the cold war is over in most parts of the world, but not apparently in Honduras, where presidential, parliamentary and municipal elections are being held on November 28.

The presidential campaign has been marked by the trading of vitriolic cold war era insults by the two leading candidates. "The campaign is not addressing the issues; it has become a cold war polemic," said Mr Guillermo Molina, a political analyst in Tegucigalpa, the capital.

The candidate for the right-wing National party of the current president, Mr Rafael Callejas, is Mr Oswaldo Ramos, a former rector of the National University of Honduras. He has led an emotive campaign calling on voters to chose between "communism and the fatherland".

He has accused his main rival Carlos Roberto Reina of the centrist Liberal party of having communist sympathies, saying that he and his brother Jorge Arturo are friendly with Cuban President Fidel Castro and former Nicaraguan President Daniel Ortega.

As evidence, Mr Ramos has been running advertisements on television and in newspapers showing a 1960 photograph of Jorge Arturo in Havana, beside the late Ernesto "Che" Guevara, a hero of the Cuban revolution.

Mr Reina, a former president of the San Jose-based Inter-American Court of Human Rights, has called Mr Ramos a liar, a fascist, and a danger to democracy.

Opponents of Mr Ramos have alluded to his past membership of the Alliance for Progress of Honduras, an extreme-right wing organisation linked to the Unification Church. The Alliance was founded in 1983 by Gen Gustavo Alvarez Martinez, then head of the armed forces, who is accused by human rights groups of organising the "disappearance" of several student leaders and union members.

Mr Ramos, who comes from the more conservative wing of the National party than President Callejas, is known to have strong links with the powerful Honduran military.

Most opinion polls have put Mr Reina at least six points ahead, but 30 per cent of voters are still undecided.

Dissatisfaction with the traditional parties may lead to a better showing for the small Christian Democrat party and the Social Democrat Party of Innovation and Unity which between them won 3 per cent of the vote in 1989, say analysts.

Mr Ramos has had the advantage of the support on the campaign trail of the personally popular and charismatic President Callejas, who is constitutionally prohibited from re-election.

Since 1990 Mr Callejas has implemented a structural adjustment programme under the aegis of the World Bank and the International Monetary Fund, which has brought economic stability and projected growth of 5 per cent this year. But there has been an increase in poverty, according to the School of Honduran Economists.

When not insulting his opponent, Mr Reina has criticised the orthodoxy of the plan which he says he will renegotiate. "What Reina represents is the critique to this model and its social consequences," says Mr Molina.

Some 2.7m Hondurans have been registered to vote in elections. The Organisation of American States finished revision of the electoral roll for the elections on Wednesday and has added 350,000 voters to the 1989 register.

Canada deficit

Canada's 1992-93 budget deficit was C$40.5bn, up from C$35.5bn forecast by the previous Conservative government in April, Mr Paul Martin, the new Finance Minister, announced yesterday, Reuter reports from Ottawa.

Mr Martin said he would address measures on jobs and the deficit within three weeks in an economic statement.

Positive signal from Sinn Féin on peace

By Tim Coone in Dublin and James Blitz in London

SINN FEIN, the political wing of the IRA, has signalled that it is not rejecting outright the olive branch held out by Mr John Major in his speech on Monday evening, when the British prime minister said that Sinn Féin would be offered a seat at the negotiating table in return for an end to IRA violence.

Mr Gerry Adams, the leader of Sinn Féin, said yesterday "Mr Major has acknowledged the opportunity which exists. The onus remains on John Major to deal honestly and directly with the core issues". He did not spell out what concessions the IRA is looking for but added that Sinn Féin remains "firmly committed" to what he called the "Irish peace initiative".

Mr Adams' allegation that there has been "protracted contact and dialogue" between Sinn Féin and the British government has been emphatically denied by Sir Patrick Mayhew, the Northern Ireland secretary.

"No officials have been talking to Sinn Féin on behalf of the British Government. We have always made it perfectly clear that there is going to be no negotiating with anybody who perpetrates or justifies the use of violence. That has been our policy and we stick to it", he said.

Mr Albert Reynolds, the Irish prime minister, hinted that his government may have had indirect talks with Sinn Féin. Responding to questions in the Dail (parliament) he said: "No week passes that I do not heve people from both communities . . .keeping me informed as to their views of the shift in opinion from various sectors."

Mr Reynolds repeated his hope that there would be developments before the end of the year that would lead to peace, but a government spokesman said: "There is still some way to go before we can arrive at a joint declaration (by the two governments) to set a framework for peace".

Northern Ireland's uniooist politicians were united in their hostility to Mr Major's speech. The Rev Martin Smyth, Ulster Unionist MP, said his party's support for Mr Major would be called into question if there was any sign that he was failing to govern Northern Ireland "purposefully." But he added "If the IRA are prepared to put down their arms, then that may create a new situation." The Rev Ian Paisely, leader of the Democratic Unioolst Party, said: "The strength of feeling in this province is for the defeat of IRA/Sinn Féin, uot that a way should be made for them to get to the negotiating table."

UK confirms plan to limit Trident power

By David White, Defence Correspondent

MR MALCOLM RIFKIND, the UK defence secretary, yesterday confirmed plans to limit the firepower of its new Trident strategic missile submarines, but refused to give details of planned armament levels.

The total explosive power deployed on Trident would be "not much changed" from Polaris, he said. However, he set a ceiling of 96 nuclear warheads per submarine, twice the maximum number on Polaris boats.

In a keynote speech on nuclear policy to the Centre for Defence Studies at King's College, London, he said the actual number deployed could be "significantly fewer" than 96. Previously, the maximum was set at 128 warheads per submarine - eight for each of 16 Trident missiles.

The new poiicy "should lay to rest commeots and speculatioo about Trident representing a major growth in the size of the UK's nuclear armoury," Mr Rifkind added.

When Trident was fully in service, the UK's nuclear stockpile would be 25 per cent lower than in 1990, he said.

He denied that financial considerations influenced the decision, and said savings would be "very modest indeed" compared with the £10bn overall cost of the Trident programme.

Mr Rifkind also made the clearest statement to date of government support for a compreheosive treaty banning nuclear tests. The UK was ready to "participate fully and constructively" in negotiations to secure a ban he said.

Mr Rifkind said Britain would press for an indefinite extension of the treaty.

Although complete disarmament was "a desirable ultimate goal", Mr Rifkind said it was essential for Britain to keep full-scale strategic nuclear arms and less potent sub-strategic weapons. Trident would be adapted to fulfil both both functions.

Mr Rifkind, who emphasised growing nuclear co-operation ion with France, said Nato should not abandon the right to use nuclear weapons first in a crisis. That, be argued, would convey the message that conventional war was "a safe option".

School league tables show deprivation link

By John Authers

LEAGUE tables of school performance in England, published today by the education department, show a sharp rise in exam successes, compared to last year when results were first published.

In 1992, 38.1 per cent of the 15-16 year-olds in England gained five GCSE passes at grades A to C, the equivalent of the old O-level pass. This year, the figure has risen to 41.1 per cent – an 8 per cent increase.

But analysis using government statistics on extra educational needs reveals a strong link between inner-city deprivation and under-performance.

Using environment department figures which rank authorities according to the proportion of children whose parents are benefit claimants and other related statistics, the Isles of Scilly, top authority for GCSE performance, is also, according to the table, the least deprived in the country.

The London boroughs of Hackney, Newham, Lambeth, Islington, Tower Hamlets and Southwark are in the top ten both for underperformance at GCSE and for deprivation. Only one of the authorities in the bottom ten for GCSE results last year managed to escape it this year.

Out-performance by girls' schools was marked. In mixed schools, 35 per cent of pupils gained five or more GCSEs at grades A to C, a target attained in single-sex schools, a far higher proportion of which are selective, by 48 per cent of boys and 55 per cent of girls. Independent schools fared well, with 142 appearing in the top 200 on GCSE performance.

This year's exercise was more ambitious than last year, with figures published on vocational qualifications for the first time. These revealed that less than ten per cent of the 5,200 schools in England and Wales offered the qualifications, although some schools make them compulsory for all 16-year-olds.

SCHOOLS can shoot to the top of the league tables if someone at the education department makes a typing error.

Yesterday, Chapel-en-le-Frith School in Stockport, enjoyed a fleeting moment of fame.

According to the government's league tables, it only had one pupil in the sixth form, but he or she was the new Einstein – that one candidate had amassed 54 A-level points, equivalent to four grade As, one B and one C.

But the school's headmaster was able to point out an even better story – that the school did not have a sixth form.

Education department officials said external contractors had made a computer error.

Construction investment 'alarming'

By Andrew Taylor, Construction Correspondent

THE LOW LEVEL of British investment in new construction compared with the country's main European rivals was "truly alarming", Sir Brian Hill, president of the Building Employers Confederation, said yesterday.

He appealed to ministers not to cut public spending on construction in the Budget, saying that this would only worsen the competitive position of the country's construction industry.

Sir Brian, speaking at a conference in London, said that Britain accounted for only 10 per cent of all European construction output while Germany accounted for 23 per cent, France 15 per cent and Italy 16 per cent.

Mr John Gummer, environment secretary, speaking at the same conference, warned the UK industry that no reasonable chancellor could ignore the country's "over-borrowing". He said: "It is not possible to imagine one could overcome these difficulties in a way in which anyone could expect to get out of it scot-free."

He appealed to the industry to boost its profitability by improving the quality of its performance and by reducing waste to make it more competitive in world markets.

Mr Gummer said that of 400m tonnes of material used each year by the industry, about a teoth was wasted.

Sir Briao told the minister that UK spending on construction in proportion to the population was lower than that of Switzerland, Germany, France, Italy, Spain, the Netherlands, Sweden, Norway and Austria.

He said: "Failure to invest in new buildings and the nation's infrastructure must in due course impede or handicap the country's ability to compete both in European and world markets."

Sir Brian warned that any further erosion of the domestic construction market due to public spending cuts would cause further job losses and company failures.

SHARE OF EUROPEAN CONSTRUCTION OUTPUT 1992

Germany	23%
Italy	16%
France	15%
United Kingdom	10%
Spain	9%
Rest (10 small countries)	27%

Output by value in Ecus

Source: EuroConstruct

LEGAL NOTICES

Creditor's meeting pursuant to Section 48(2) Insolvency Act 1986.
Company No: 2014655
Registered in England and Wales
BISHOPCROSS LIMITED

Notice is hereby given pursuant to Section 48(2) Insolvency Act 1986, that a meeting of the *unsecured* creditors of the above-named company will be held at the offices of: Coopers & Lybrand, Orchard house, 10 Albion House, Maidstone, Kent, ME14 5DZ on 26 November 1993 at 11.00am. Creditors whose claims are wholly secured are not entitled to attend or be represented at the meeting. Other creditors are only entitled to vote if: (a) They have delivered to us at the address show below by no later than noon on 25 November 1993, written details of the debts they claim to be due to them from the company and the claim has been duly admitted under the provisions of Rule 3.11 Insolvency Rules 1986; and (b) There has been lodged with us any proxy which the creditor intends to be used on his or her behalf. Please note that the original proxy by or on behalf of the creditors must be lodged at the address mentioned; photocopies (including faxed copies) are not acceptable.

Signed:
NIGEL JOHN VOOGHT,
Joint Administrative Receiver
Coopers & Lybrand
Orchard House, 10 Albion Place,
Maidstone, Kent ME14 5DZ
Dated: 3 November 1993

Employers welcome historic Smith speech

By Kevin Brown, Political Correspondent

MR JOHN SMITH, the opposition Labour party leader, yesterday laid the foundations of a closer relationship with Britain's employers in a warmly received speech which stressed his commitment to manufacturing industry.

Mr Smith, the first Labour leader to address the Confederation of British Industry, the employers' organisation, delivered a speech designed to convince business leaders that they have nothing to fear from a Labour government.

CBI members gave Mr Smith a sustained ovation, which observers contrasted with the more restrained applause given to Conservative cabinet ministers on Monday.

"The message that came across was that he is passionately committed to manufacturing industry," one delegate said.

Mr David Hunt, the employment secretary, tried to undermine the impact of the speech by drawing attention to the omission of any reference to the party's commitment to a 35-hour, four-day working week. Mr Hunt said Mr Smith failed to request an opt-out from the European socialist group manifesto, which contains the commitment.

However, delsgates also responded warmly to Mr Smith's stress on Labour's commitment to improvements in training, education and the potential for partnerships between government departments and business.

Mr Smith sought to exploit divisions between some business leaders and the government by endorsing criticism of the Tories "negative approach" to Europe expressed by Mr Howard Davies, the CBI director-general. "It is ironic that those who promised to put Britain at the heart of Europe have caused us to be marginalised in crucial areas of decision making," he said.

Mr Smith warned delegates that British business would have to live with the social chapter of the European Union's Maastricht treaty, in spite of the government's decision to opt out. Polices determined by the 11 other countries in the EU "almost inexorably will come to be applied, not just to British companies operating in Europe, but to all companies operating in Britain."

Mr Smith's main aim was to draw a sharp contrast between Labour's support for manufacturing and the low level of investment in industry since the Conservatives came to power in 1979.

Rover 'in breach' of rules on dealers

By Kevin Done, Motor Industry Correspondent

ROVER, the motor vehicles subsidiary of British Aerospace, committed "a serious breach" of European competition regulations by limiting its dealers' ability to offer discounts, the European Commission said yesterday.

Rover made arrangements with its UK dealers that sought to limit the level of discounts offered by the dealers on its Rover 200, 400 and 800 car ranges and on sales of Land Rover products.

The arrangements, in breach of Treaty of Rome competition rules, were in place between about May 1986 and October 1990.

In a statement yesterday, the Commission said the dealer agreements had been terminated when they came to the notice of Rover's senior management. The UK carmaker had voluntarily notified the Office of Fair Trading and subsequently the Commission.

Rover said that it believed that the restrictive practices had had little commercial effect, but it had taken several steps to remedy the position.

It has agreed to implement an anti-trust compliance programme within the company, has made a full and voluntary disclosure of the arrangements and has agreed to reimburse dealers for any discounts withheld from them.

It has also written to its dealers stating that it "will not and cannot legally" discriminate against any dealer that "has discounted list prices or has discounted them beyond any particular level."

Rover also said yesterday it is donating £1m to fund two consumer projects, to create a database for disabled car buyers, and to conduct a three-year survey of customer needs.

Individual customers can still claim compensation against Rover or any Rover dealer, however, and it is still open to UK competition authorities to take legal action. The Commission has decided not to take legal action against Rover, however, because of the voluntary steps taken by the company.

THE first group of Chinese trainee airline pilots to go abroad has arrived at Oxford Air Training School, following September's announcement that the Chinese Civil Aviation Authority had awarded its first overseas civilian cadet training contract to the school. The pilots will be on a 56-week course which costs £55,000 per pupil

How UK food taxation ended up in tiers

Guy de Jonquières on pre-Budget lobbying, and muddle, over the application of Value Added Tax

THE UK subsidiary of Nestlé, the world's largest food manufacturer, made an embarrassing discovery this week. It found it was lobbying the UK Treasury to adopt two, directly contradictory, policies in this month's Budget.

With one hand, Nestlé was supporting industry efforts to ward off any increase in value-added tax on the roughly 80 per cent of food products which are zero-rated. With the other, it was backing a campaign – from which it has now withdrawn – to abolish zero-rating on everything except fresh food. How Nestlé got into this muddle is unclear. But it is not alone in its confusion over Britain's labyrinthine system of taxing food and drink, the complexities of which have split the industry – and many companies – down the middle.

Most types of food are classified as necessities and carry a zero rate of VAT. All other food and drink products carry VAT at the standard 17.5 per cent rate. The two categories are a hangover from purchase tax which discriminated against "luxury" products.

Food manufacturers complain that two-tier VAT is arbitrary and riddled with anomalies. For instance, gingerbread men dipped in chocolate carry VAT at 17.5 per cent, while gingerbread women dipped in caramel are zero-rated. Rapid product innovation has aggravated the discrepancies.

Manufacturers say inequities distort the market and have been made even worse by the rise in the standard VAT rate from 8 per cent to 17.5 per cent in the past 20 years. Periodic efforts by Customs & Excise to tinker with the system – usually by challenging products' zero-rated status – have stirred up legal and political opposition or failed completely.

But while many food manufacturers believe the system is absurd, they cannot agree on what should replace it. Most dare not press too hard for reform, for fear it would involve ending zero-rating.

This view has shaped pre-Budget lobbying by the Food and Drink Federation, the umbrella organisation grouping all the main industry associations. The federation has told the treasury that the end of zero-rating would lead to higher inflation, job losses and lower industry profits.

But although this stance has been broadly supported by the industry, it has been criticised by some manufacturers of products such as snacks, confectionery, soft drinks and ice cream, on which VAT is charged at 17.5 per cent.

Several confectionery manufacturers belonging to the Biscuit, Cake, Chocolate and Confectionery Alliance have broken ranks and launched a campaign to have VAT extended to all processed foods at 8 per cent. That, they argue, would end fiscal discrimination without reducing the £1.6bn the exchequer receives annually from VAT on food.

Companies backing the campaign include Cadbury, Mars and – until this week – Nestlé. Although their proposals suit Rowntree, Nestlé's confectionery subsidiary, many of the group's other businesses, such as instant coffee, yogurts and frozen food would be penalised.

Similar conflicts of interest beset other industry associations.

One option which would unite the industry would be to zero-rate all food. However, as well as costing the treasury revenue, that would require a special exemption from European Union rules, which Brussels would be reluctant to grant.

Under European rules, Britain could charge as little as 5 per cent VAT on food. However, such a reduction would also leave the treasury short of revenue unless the rate was extended to zero-rated products. However, any extension of VAT, would be deeply unpopular politically. Given the unpalatable alternatives, the betting must be that the present system, for all its faults, will survive the Budget largely intact.

Britain in brief

Bribery case against Nadir to be dropped

The Crown Prosecution Service said that it had decided not to bring a case against Mr Asil Nadir, the fugitive businessman, in connection with allegations that he had attempted to bribe a senior judge.

It said in a statement that it had concluded that there was "no credible evidence" to support suggestions that Mr Nadir had attempted to pay £3.5m to Mr Justice Tucker, who was scheduled to hear his fraud trial.

Meanwhile the trustee in bankruptcy to Mr Nadir is considering using a court order against senior police officials who he says have failed to co-operate in his efforts to trace assets.

Mr Neil Cooper, a partner with accountants Robson Rhodes, said that he was considering using his powers under insolvency law to force the police to answer his questions.

CBI, Tories in Europe accord

There are no differences between the government and the Confederation of British Industry on Europe, CBI director-general Mr Howard Davies said yesterday. At the same time, he renewed his calls to the European Commission not to destroy jobs through excessive regulation.

Mr Davies told the CBI that early coverage had focused on supposed conflicts over Europe. "But there is in fact no substantial point at issue between the CBI and the British government on current policies towards the European Community in general, or economic and monetary union in particular."

PSBR figure on track

Another big rise in government borrowing last month left public sector finances heading for their biggest annual shortfall on record, official figures revealed.

The government borrowed £2.7bn in October, taking the public sector deficit since the beginning of the financial year to £26.9bn, compared with only £20bn over the same period last year.

The latest figure, slightly higher than consensus forecasts, suggests that the public sector borrowing requirement for 1993-94 will be lower than the last Treasury forecast of £50bn, but only marginally.

'Core' pits may close

British Coal accelerated its pit reduction programme as it announced it wants talks with unions about Littleton, Staffordshire, the first of the so-called 19 "core pits" to be threatened with closure.

The naming yesterday of Littleton together with Silverdale, also in Staffordshire, takes to six the number of pits British Coal has identified in three weeks as candidates for closure or significant contraction. British Coal operates 30 pits in all but is producing far more coal than it can sell.

Plea for open bids for lottery

The National Lottery Company appealed for the bidding for the National Lottery to be open and public.

The group which has been campaigning for a non-profit making lottery said yesterday: "Each process of our National Lottery from bidding, to selection, to operating should be completely transparent so as to inspire public confidence."

Mr Peter Davis, director general of the National Lottery is insisting on confidentiality and that no details of applications will be published other than the names and addresses of applicants.

Coniferous

Christmas Tree growers are struggling to meet demand, the British Christmas Tree Growers' Association said. The association estimated demand at about 5m this year, but said that meant that some trees may not be of a high standard.

The association said about 1m trees would be imported this year, mainly from Denmark and Belgium, which was slightly down on the number imported last year.

Britain's most famous Christmas tree, an annual present from Norway, will be lit up on December 9 in Trafalgar Square, London.

'Shadow negotiations' offered to rail service franchisees

By Charles Batchelor, Transport Correspondent

POTENTIAL bidders for privatised British Rail routes will be invited to take part in "shadow negotiations" with the Office of Passenger Rail Franchising early next year.

The office has been set up by the government to handle the franchising of BR's routes and to monitor franchisees' performance.

The purpose of the negotiations is to explain to the bidding teams how the franchising system works and to allow the franchising office to refine its own proposals, Mr Roger Salmon, franchising director, said yesterday.

One of the central aims of the franchising office is to establish agreements which provide commercial incentives for companies involved in the new system and minimise legal disputes.

Franchisees will be paid according to the quality and reliability of the service while Railtrack, the company which will own the track and signalling, will be able to charge more for providing a high quality of service to the operator. The aim is to encourage the two sides to resolve difficulties rather than apportion blame.

Mr Salmon, a former corporate financier with NM Rothschild, the merchant bank, is to spend the next few weeks explaining the details of the franchising system at a series of conferences and presentations. "There is a lot of the detail which is important," he said. "Only when we get that into the public domain will the big players sit up and get talking."

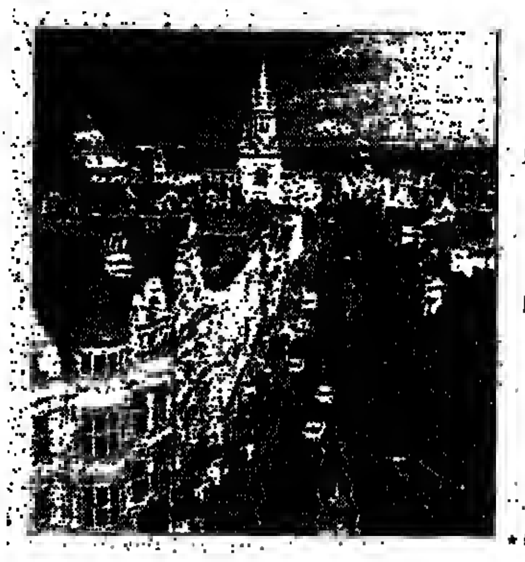
Once the franchising office has determined the details of the franchise system, invitations to tender are expected to go out in October 1994 and the first private operators will take over in the spring of 1995. About 50 private companies and 30 teams of British Rail managers have expressed an interest.

The capital needed to take over rail operations is not large because equipment will be leased or rented. But bidders will be required to provide bonds to re-imburse season ticket holders in the event of the company folding and, probably, guarantees to the franchising office of "good behaviour." But because much of the rail operators' revenue will be paid in advance by season ticket holders they will require no, or very little, working capital.

BUSINESS AND THE ENVIRONMENT

David Lascelles visits Freiburg and Oxford which have both adopted different solutions to the problems of heavy traffic

Driving force behind a tale of two cities



OXFORD		FREIBURG
120,000	Population	190,000
£300,000	Subsidy for public transport*	DM30m (£12m)
40%	Car ownership	53%
	Proportion of people-journeys made by:	
47%	Motor vehicles	47%
40%	Public transport	26%
12%	Bicycle	27%

* Per annum

Oxford in England and Freiburg in Germany have much in common. Both are important university cities with some industry attached. Both have a unique heritage of architecture and culture and in both places the environment poses big issues, particularly where traffic is concerned.

But there, the similarities end. Walk through Freiburg's historic city centre and there is not a car in sight. The entire old city has been pedestrianised. Access is allowed only to trams which glide noiselessly down the cobbled streets and to bicycles. The place is orderly and unblemished, almost like Disneyland.

Walk down Oxford High Street and the place is a mayhem of buses, exhaust and noise. Vehicles and pedestrians jostle at the crossings; the place throbs with life.

Why is it so different? The answers provide a revealing object lesson not just about well-known features of the British and German character, but also the very different ways they organise their communities.

By coincidence, Freiburg and Oxford both started to address their traffic problems seriously in the same year, 1973. That was when Freiburg pedestrianised the first section of the old city and Oxford launched a park-and-ride scheme to reduce city centre traffic.

Freiburg, in south-west Germany, was fortunate to have space alongside the old city wall to build an inner ring road, making pedestrianisation much easier. Oxford did not, and its attempt to create one across Christ Church Meadow sparked a national controversy.

Freiburg voted in a "green" city council which took aggressive steps to deal with traffic. The objective was to remove all cars and lorries from the centre. This was complemented by heavy investment in the public transportation system and in a network of bicycle lanes. Today, few Freiburgers live more than a few minutes' walk from a bus or a tram stop and there are more than 400km of bicycle lanes, many of them away from the road.

The driving force behind Freiburg's traffic plan is Peter Heller, a youthful deputy mayor who carries the title of environmental mayor. For him, the battle against the car is not merely a transport issue, but part of a wider environmental campaign for more sensible use of resources. He is trying to encourage new housing developments which do away with the need for transport – everything would be to hand.

Oxford, by contrast, has been unable to pedestrianise the city centre for a number of reasons, partly political. The highway authority for the city is the county council which has been deadlocked between Tory-led, out-of-town opponents of traffic schemes and supporters of the Labour-led city council's desire to banish the car. But there were also practical problems. There was no inner ring road, so closing the city centre would only push traffic into suburban residential streets.

Most of Oxford's effort, therefore, has gone into the park-and-ride scheme which is already the largest in the country and will be expanded to a capacity of more than 3,600 cars by the end of this year.

Oxford High Street is a mayhem of buses, exhaust and noise. The city throbs with life

Although people grumble about it, use of the scheme is growing by 10 per cent a year, which has made a noticeable impact on car numbers. The level of traffic in Oxford has remained almost constant for 15 years.

Some effort has been put into bicycle lanes as well and recently the city launched an experimental electric bus service in co-operation with Southern Electricity, the local utility.

However, the political balance on the county council shifted in the last elections. The anti-city component was weakened, leaving the city council in a stronger position to tackle the traffic problem in a more fundamental way. The county commissioned a study from Colin Buchanan, the leading traffic consultant, and this now forms the basis of a £17m-£18m plan to ease congestion over a period of five years.

The plan will involve investing more in public transport and bicycle lanes, reducing city-centre parking spaces by up to 10 per cent, closing the high street and making a variety of environmental improvements.

The plan won support from 70 per cent of the people of Oxford in a recent survey. But it needs government approval for the spending and that is far from certain.

As this tale of two cities shows, the points of contrast are stark. First, Freiburg managed to achieve the political consensus to take action much more quickly than Oxford. Although Freiburg city council is evenly divided between three parties, the right-wing CDU, the socialist SPD and the Greens, they support a common objective in this area.

Oxford was hobbled not just by inter-party rivalry but also by city-county conflict, although that may now be changing. Eva Barnes, Labour environment spokesperson on the county council, says: "It's been a travesty for a heritage city. But I think there's support from all four parties to pursue most of these measures now." John Tanner, chairman of the city's highways and traffic committee, agrees. "There's been a sea change in attitudes right across the parties," he says.

Nor did Oxford have someone in Heller's position to push through an environmental master plan, though it does now have a city centre manager, Martin Wright, on a two-year secondment from Marks and Spencer. When Oxford applied to Whitehall for the traffic scheme grant it prepared the required cost and benefit analysis. But for the first time, this measured the benefits in terms of the non-car user rather than the motorist. For once, a traffic scheme was intended to benefit the pedestrian, the tourist and the atmosphere.

Second, Freiburg had the money to finance the heavy investment in public transport which is essential to replace the car. This year, the city will pour a subsidy of DM30m (£12m) into transport. It can afford to do this because it owns the local gas and electricity utilities from whom it creams off profits for cross-subsidisation. Thus Freiburgers pay more than necessary for their home heating in order to have a good tram service (which has the additional beneficial effect of encouraging them to heat their homes more efficiently).

Walk through Freiburg's centre and there is not a car in sight. It is orderly and unblemished

Oxford will this year spend a mere £300,000 to subsidise city transport. And its ability to finance the Buchanan plan in full depends largely on central government approval because it has few other sources of funds. On the other hand, the bus services on the park-and-ride scheme are close to making a profit, although the more successful they become, the more the council loses city centre parking revenue, one of its few extra sources of income.

Third, Freiburg owns the public transport system in the region and can therefore make it do exactly what it wants. In Oxford, the bus system was privatised in 1986. This initially led to a chaotic growth in bus numbers. It has now settled down, but the various bus companies are reluctant to co-operate. In Freiburg, people can buy a single, heavily subsidised "green" ticket which entitles them to use the whole regional transportation system. In Oxford there is no cross-ticketing and, according to city officials, unlikely to be in the foreseeable future.

All this suggests that Freiburg is much better organised than Oxford, which it evidently is. But is there more to it than meets the eye?

Interestingly, the traffic profiles of the two cities are not as different as might be expected. In both, the proportion of people-journeys made by motor vehicles is exactly the same: 47 per cent. And in Oxford, public transport's share is much higher than Freiburg's (40 per cent versus 26 per cent). Oxford only falls behind with the bicycle (12 per cent versus 27 per cent). One reason why Oxford does well is that it has a relatively low level of car ownership.

Ernst von Weizsäcker, an environmental specialist at the Wuppertal Institute for Climate, Environment and Energy, also says Freiburg's high standards are being achieved to some extent at the expense of the surrounding region; traffic is being pushed elsewhere and the city's high costs are burdening the poorer rural communities nearby. "They are cherry-picking," he says. Oxford, by contrast, might be said to have paid the price for leaving the centre accessible to motorists from outside the city.

Nor is there much awareness among the people of Freiburg about the level of cross-subsidisation. "Most of them don't even know about it," says Uli Hohmann, the editor of the local public radio. However, he doubts that there would be opposition to the arrangement, even if it was more widely debated. Freiburgers would support an even tougher environmental policy, for example in energy efficiency, he says.

However, it is clear that Freiburg's standards depend on a level of co-operation that would be inconceivable in the UK: between political parties, between council and utilities, and within the transportation system. Oxford might achieve greater political coherence if it became a unitary authority under proposed local government reforms. But the privatisation of bus and utility services means it will never have control of key municipal levers like Freiburg.

Spotlight on UK plants

Biodiversity is one of the great rallying cries of the green movement. Everyone feels intuitively that it is important to preserve as many types of plant and animal as possible – but there has been little direct evidence so far to show how the loss of species would harm the environment.

Now, however, ecologists at Imperial College's Centre for Population Biology at Silwood Park, Berkshire, are beginning to fill the experimental gap.

John Lawton, director of the centre, says it is already clear that the variety of species in a biological community has a big impact on the way it functions. "We can no longer ignore serious threats to key ecological processes, posed by the loss of biodiversity."

The work is taking place in the Ecotron, a £1m research laboratory containing 16 separate climate-controlled chambers. Each is a two-metre cube with its own community, set up to model British grassland. There are wild plants (varying from two to 16 species per chamber), insects and soil organisms.

"What we did was mimic the loss of species currently being caused by human impacts on ecosystems, but under controlled conditions," Lawton says. Preliminary results show that biodiversity has a big impact on plant growth, absorption of carbon dioxide, soil chemistry, water cycle and microclimate.

The Ecotron – funded by the Natural Environment Research Council with a £250,000 annual grant – provides climate control over light, temperature, humidity and rainfall. It enables scientists to mimic ecosystems while carrying out controlled experiments that would be impractical in field studies.

Although it is far smaller than the Biosphere II in Arizona, the Ecotron is a more powerful research tool because its separate chambers allow experiments to be replicated and the results verified by statistical analysis.

Clive Cookson

PEOPLE

Lankester replaces Holland at education

Sir Geoffrey Holland, permanent secretary at the Department for Education, has announced that he is to leave the job only ten months after moving to the department.

The department is currently in the throes of a review by the consultants Coopers & Lybrand, aimed, according to Whitehall sources, at "rooting out the left-wing educational establishment", from the department. Right-wing think-tanks believe the department deliberately sabotaged the government's national curriculum reforms.

However, Sir Geoffrey's move seems more to save commuting time than to escape hot water. He has lived for the last six years in West Cornwall and commuted weekly to London. His new job, as vice-chancellor of Exeter university, which he will start next April, means he will no longer need to be so familiar with Paddington station.

Sir Geoffrey is still only 53, and moved to the education department after five years as permanent secretary at employment.

His successor at education, Tim Lankester, perhaps significantly, is also being drafted from outside the department.

Lankester is a former banker and economist who started his civil service career in the treasury, followed by a stint working as Margaret Thatcher's private secretary. Aged 51, his current post is second permanent secretary at the Overseas Development Administration.

■ Railtrack, the company set up to take over the management of British Rail's track and signalling on privatisation, made four new board appointments yesterday.

Beverly Anderson, chief executive of the Book Trust; Sir Christopher Foster, a director of accountants Coopers & Lybrand and adviser to the government on railway privatisation; Christopher Jonas, senior partner of chartered surveyors, Drivers Jonas; and Derek Roberts, provost of University College London following 35 years in the electrical engineering industry, join Robert Horton, former chairman and chief executive of British Petroleum, who became chairman of Railtrack in February.

Railtrack takes over formal responsibility for BR's infrastructure next April.

Royal Scotland and Natwest bankers move on

The Royal Bank of Scotland, currently engaged in its "project Columbus" – a task force which is investigating a broad range of issues connected with its future delivery services – has made two senior internal appointments.

Iain Houston, above, has moved up to become director of marketing and structured finance in the group's corporate and institutional banking division.

Houston, 44, has previously worked for the Sedgwick Group and Johnson Matthey in treasury roles, before becoming in 1988 director of marketing at Charterhouse bank – a joint initiative between Royal Bank of Scotland and Charterhouse – at the bank's capital markets division. In 1992 he became group marketing director.

In a separate division of the Royal Bank of Scotland, which currently has some 24,000 staff, Keith Hodkinson, 46, right, has been appointed head of commercial banking services, responsible for the bank's commercial strategy.

Hodkinson is a long-serving member of the bank, having joined the former Williams Deacons bank, based in Manchester, in 1965.

His previous posts with the bank include manager of international credit control, senior manager in charge of business in Africa, the Middle East and the Indian sub-continent and, prior to his new appointment, as chief manager of international banking services.

■ John Greenacre has been appointed associate director, treasury, by NatWest Investment Services, one of the leading global custodians. Prior to his new post, Greenacre had been with NatWest markets since 1972, with postings in New York and Chicago.

Recently Greenacre was based in NatWest Markets' London treasury department, advising corporate clients on foreign exchange.

Maitland steers private course

Angus Maitland, vice chairman of Burson-Marsteller, one of the world's largest public relations consultancies, is leaving at the end of the year to set up his own business.

Maitland has managed to strike an agreement with his erstwhile employer, allowing him to take along a number of B-M clients.

Maitland, 47, who will have been at B-M three years and was the first non-American on its main board, says he has had enough of the meetings and other restrictions a big organisation imposes.

Instead, Maitland wants to devote himself full-time to what he calls "high-level strategic consultancy".

A graduate of Glasgow University, who kicked off his career as an economic analyst in industry, Maitland joined Charles Barker in the early 1970s where he met Reg Valin.

When Valin and Richard Pollen formed Valin Pollen, Maitland joined shortly afterwards.

But the group ran into difficulties in the late 1980s following an American acquisition. It fell to Maitland, made chairman of communications group VPI when Valin quit, to try and pick up some of the pieces.

Maitland says he will not be in direct competition with former Valin Pollen colleagues now working at other agencies across London, such as those at Gavin Anderson and Fishburn Hedges.

However, he has in recent months been doing some work for Invesco, the fund management group which Richard Pollen, also in business on his own, had previously advised.

■ **Stephen Cutler**, development director and company secretary, has left CANNON STREET INVESTMENTS.

■ **Craig Abbott**, chief operating officer of SWISS BANK CORPORATION at the London office, has resigned. He has moved on to Lehman Brothers in New York.

■ **Bob Dale** has retired as business development and managing director automotive at LUCAS INDUSTRIES.

MANAGEMENT

Lucy Kellaway meets an aspiring management guru with a 'creative' way of challenging accepted theories

Are you a vine, an egg or a train?

Is your boss a hammer, an owl, a loaf of bread, a knife, a sheep or a power drill? Are you an iceberg, a vine, a train or an egg? Let your mind free-associate and come up with some images. Invite your friends and colleagues to do the same for you – maybe they see you as a kitchen blender, as Robin Hood or as an ant.

Welcome to "imaginization" as conceived by Gareth Morgan, an up-and-coming management guru. Morgan is the hippy of the management world. He is for creativity and against strategic planning and bureaucracy of any sort. He has coined this six-syllable word to describe a process which he believes is the future of all management thinking, and the key to changing the behaviour of both the individual and the organisation.

Morgan has just come to Britain from Canada to promote his new book, *Imaginization**, and to explain to the British Academy of Management how it works. According to the book's jacket, imaginization is a new way of thinking. It is a new way of organising. It is a key managerial skill. It provides a way of helping people understand and develop their creative potential. It offers a means of finding innovative solutions to difficult problems.

But what actually is it? "Imaginization is about challenging mental models and creating dialogue," he tells me. I start to look sceptical, but get put in my place. "Cynicism," he says, "is dismissive and locks in. If you tap into the negative side too early, you don't get a chance to see the positive in it." I try to tap in to some imaginization and play with the image of a hedgehog. Yet if by hedgehog, all I mean is prickly, then why not say prickly directly? Surely the image just confuses matters?

On the contrary, he says, images allow us to look at things in a creative way. He suggests that whereas it would not be possible to tell your boss he is prickly, in the context of "this crazy game" you might be able to get the same message across by describing him as a hedgehog.

In any case, most images are more complicated and therefore more telling than that of a hedgehog. For instance, if your colleagues think you are a kitchen blender, they may regard you as powerful, but with a tendency to turn everything into a single ingredient. It could jolt you into changing your ways, if you know that that is how they see you.

Most management ideas are hard to get a firm hold on, but Morgan's are more than most because they are not prescriptive – they contain no solutions. Instead, they are about a new way of looking at things. "We are sold the notion that management is a set of rules, we get locked in," he says.

Is his new approach a bit like lateral thinking? He shakes his head: "Lateral thinking is connected to a technique. My approach is less structured. I don't ever describe the technique, but illustrate it."

He gives an example of a manager whose problems at work were resolved simply by changing the way she looked at her job. When Morgan first met this manager, she felt that despite the superhuman efforts she was making at work, she was getting nowhere. He showed her a cartoon of a jockey in the Grand National standing in front of a fence and trying to pull the horse over it by the reins. He showed her another of a termite, eating away at something, and building something large, bit by bit.

"This manager overnight was able to develop a new way of doing things. She realised she was blocking herself. She was able to see that she had been trying to pull horses over the fence, when what she should have been doing was putting her energy where she could make a difference."

Morgan's ideas are equally applicable to whole organisations dealing with change. Managers and workers need only to sit down together and start trying to look at themselves, their relationships and their tasks in a fresh way. "You've got to find a way of creating new space. The idea is to create the opportunity to decouple from where you are now."

Morgan is critical of most attempts at bringing about change within organisations, which have replaced one set of rigidities with another. He argues that companies may have abandoned layers of managers, but they have not managed to get rid of their bureaucratic structure. "Re-engineering!" – he pronounces the name of the latest management panacea dismissively. "It is locking the world into a new era. In two or three years those very companies will need to break free again."

One helpful image for a new shape of organisation is that of the spider plant. This has a parent plant and a lot of babies joined to it by umbilical cords. Morgan says he is using this model with the education authorities in Canada, which are looking at ways of passing more autonomy to the schools.

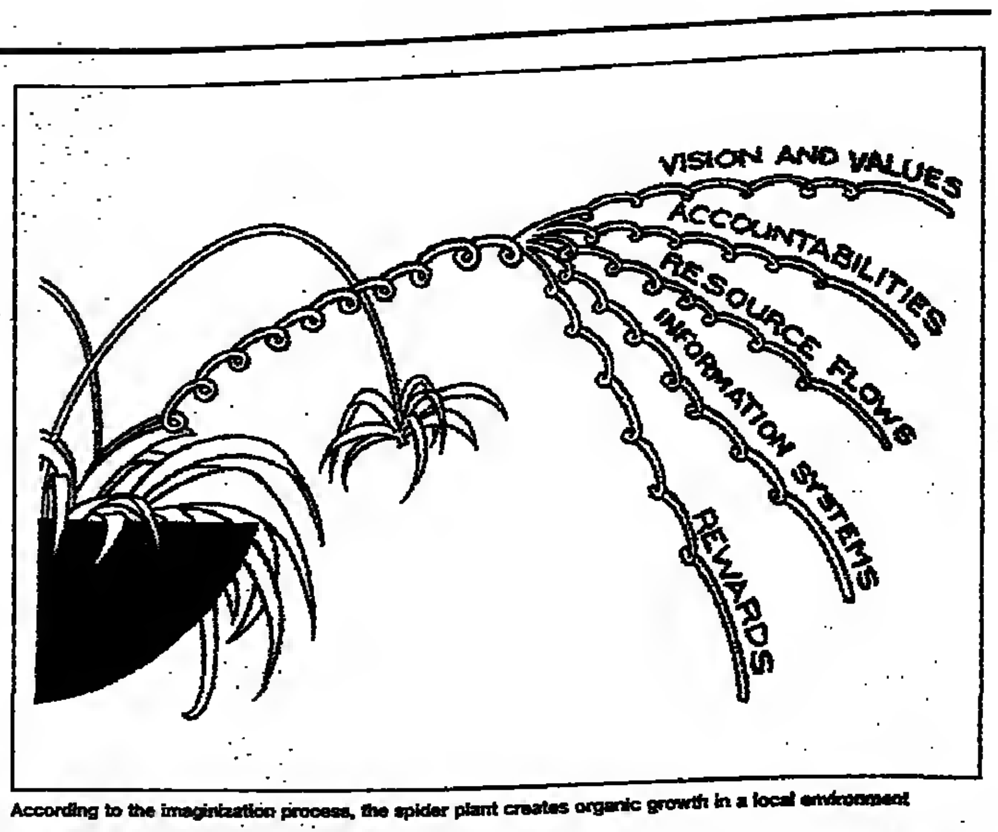
"The spider plant creates organic growth in a local environment," he says. "It is a crazy image, but is powerful. We started with the plant, and then as we talked and explored the image, we introduced the idea of electronic umbilical cords, and of bumble bees who would be managers roving from school to school identifying common problems."

Morgan talks constantly about the need to "flip into a new frame". He is not talking about the slow grind of changing habits. Indeed, he talks of what sounds like miracle conversions to a new mind set, with the result that work patterns are changed overnight.

In Morgan's permissive world, everything goes except inflexible ways of doing things. Morgan knows something about those, having spent his formative youth as an accountant. He then went to the opposite extreme and became obsessed with behavioural science. He left accountancy and now, as an academic, a writer and a consultant, has embarked on "a quest to explain why traditional systems run into problems". Perhaps that makes him a homeopathic doctor, an impressionist artist, or a gardener sowing seeds of imaginization.

**Available from Sage Publications, 6 Bonhill Street, London EC2A 4PU. £19.95. Tel. 071 374 0645.*

Previous articles in the creativity series have appeared on October 4 and 13.



According to the imaginization process, the spider plant creates organic growth in a local environment

Take care when rewarding the high-flyers

Performance-related pay has been adopted enthusiastically by the CAA, writes **Lisa Wood**

Performance-related pay is not for everyone, as Britain's Civil Aviation Authority demonstrated last year.

In negotiations over its new pay scheme the CAA, a government body that regulates air traffic, said the priority for 3,000 well-paid employees such as air traffic controllers and aircraft inspectors was to follow set procedures and routines rather than showing their individual mettle.

"The prime concern is safety and we therefore did not want to encourage people to behave exceptionally," says Terry Moseley, director of remuneration and staff relations at the CAA.

"Rather, we want a performance-related pay scheme (PRP) in areas where we could reasonably acknowledge better than expected performance." But Moseley warns: "A PRP scheme is not a substitute for managers encouraging and motivating their staff. It is a reinforcement agent."

The CAA is an enthusiast for PRP – along with others which include John Lewis Partnership, the retailer, and ICL, the computer company. A hallmark of all of them is that they have integrated their PRP into well-developed schemes which involve regular assessments of employees' work and offer the means to improve performance.

Vicky Wright, director of remuneration consulting at Hay Management Consultants, says: "Just offering PRP in itself is generally not good enough. Employers have to define what a job is, communicate that to the employee and devise processes which enable people to improve their performance and then design a PRP system which reflects that."

The CAA's current scheme, introduced after protracted and robust negotiations with the CPSA, NUCPS and IPMS civil service unions, replaced an existing Civil Service PRP scheme. Moseley says it was a "dreadful mechanistic system" which, for example, allowed a standard performer who got three annual "satisfactories" at the annual appraisal an automatic boost.

The performance-related pay review in the new scheme is separated from the annual appraisal by around six months so that a discussion of strengths and weaknesses can take place when pay is not directly an issue. While PRP is influenced by the annual appraisal, it is not determined by it.

Moseley says that since the old scheme was linked directly to the annual appraisal it distracted people from properly discussing their jobs.

Negotiations with the unions over abandoning the old PRP system in 1990-91 were lengthy and a new deal was won only after it was agreed to lift the company's pay scales by 17 per cent over two years.

The new scheme, which could be substantially modified in the next few years when the CAA moves towards devolved pay bargaining, incorporates some 2,500 junior and middle management and clerical and administrative staff.

A further 1,200 engineers were to have been included this year, but they are covered by two pay scales and making the necessary adjustments could not be accommodated within the government's 1.5 per cent pay ceiling.

There are three components to the pay system. These are:

- An annual negotiated increase for everybody.
- Movement through the pay scales. The pay structure consists of salary bands with only two fixed points, a start rate and a job rate. The start rates for bands one to four, which cover junior and clerical staff, is 90 per cent of the job rate and for bands five to 12, which covers middle managers, is 85 per cent of the job rate. Movement through salary bands is determined by performance.
- In addition, performance-related, non-consolidated lump sum bonuses, not normally exceeding 5 per cent of the individual's job rate, may be awarded to those whose overall performance is much better than the standard performance level.

Moseley says it is not easy to define precisely what managers are looking for. "It is an assessment by a manager. We have issued guidelines that we believe should be used and then left it to the managers."

In its first year the scheme is "generally satisfactory" he says, with 890 out of the 2,500 eligible for merit awards receiving either a lump sum or a faster progression through the pay scale for their efforts during 1992. The average award was £330.

The size of the pot, he says, is important. "If the budget were too large the managers would not have to think so hard about who receives awards: the largesse could be spread wider and thicker and the concept of what constitutes better than expected performance would be diminished," he says. At present the amount available is 1 per cent of the salary bill.

Moseley says: "We do not expect an award to change a person's standard of living because, after all, it is a bonus and may not be repeated. For those who do not receive bonuses we do not want awards to be of such magnitude that they become disgruntled.

"We defeat the object of the scheme if rivalry is engendered because we rely heavily on teamwork and co-operation to be effective."

A previous article on PRP appeared on November 3.

Television/**Christopher Dunkley**

Series in search of cult status

Still they come, the naw series for the autumn season; not just fresh series of old titles, but genuinely new series: *Wild Palms, The Grent Depression, The Talking Show, Blood And Belonging* and *If You See God, Tell Him*. Remembering the long doldrums of the summer, does this really seem like a sensible arrangement? The broadcasters tell us that they save all their best (well, newest and most expensive) series for the autumn and winter because we watch so much less in the summer. But what do they expect if they save up all the rubhish and show it in the summer: of course we watch less.

Wild Palms which began on BBC2 on Monday, comes to us described as "a second *Twin Peaks*" which will seem ominous to anybody who found the David Lynch series too long and in the end too clever by half. Furthermore, having seen *Wild Palms* do rather badly in the US, its producers – who include Oliver Stone – are looking to the British to give it at least a *succès d'estime*. This is becoming something of a habit. Series such as *Cheers* have acquired "cult status" in Britain after a poor start in America, and the British reputation has then been used in the US to justify the production of further series.

Perhaps that will happen with *Wild Palms*, but I doubt it. What we have here is a slickly directed series, full of the atmosphere of menace, the anachronistic costumes (stand-up collars and collar studs in the year 2007 – does it seem likely to you?) and tha bizarre non sequiturs which have always characterised fantasy series on television. Patrick McGoohan showed tha way 26 years ago with *The Prisoner* which was ahot in Portmeirion where a man who drove a classic sports car was held against his will by a mysterious organisation that called people by numbers and sent out a huge opaque globe to chase escapers. Years earlier, in *The Avengers*, we had seen how classic sports cars and old fashioned clothes could be combined with a sense of threat to produce the feeling of a lopsided alternative universe.

In *Wild Palms* there is a rhinoceros in the empty swimming pool, sure enough the hero drives a classic sports car, and there is that familiar feeling of a sinister force behind the story of a television company which is moving into inter-activa virtual reality. The trouble is that, as with *The Prisoner*, the drama does not really seem to have anything significant to tell us, about the past or the future or, come to that, the present. Moreover, it is so busy being mystifying and atudiously weird thet the story is almost impossible to follow. That leaves you with little more than a sense of style, and strong though it is, it is not enough to sustain interest on its own.

Much the most impressive new American offering is *The Great Depression*, a classic documentary series of a sort which, five years ago, we might have thought would never again be made in the US. Then came *The Civil War*, a superb piece of work which rightly won awards all over the world. Now (on BBC2 on Saturday evenings immediately before the admirable "Performance" studio dramas which this week gave us the first performance of *The Maitlands* in 60 years; not a great play but one well worth seeing) here is a series which brings a strikingly graphic quality to the events of the slump.

This week's programme with its accounts of bank robber Charles "Pretty Boy" Floyd, and the "bonus marchers" – veterans of the first world war demanding promised bonus payments from the government – and the manner in which the demonstrators were eventually evicted from Washington, proved again what the BBC's recent *Thatcher* series showed: that no book can match the movie camera for vividness in reporting modern history. True, this programme was particularly striking because so much of the footage, instead of being grey and rainy, looked as though it had been shot last week, albeit in black and white, but it is not solely a matter of technical quality. To see MacArthur, Patton and Eisenhower as young army officers, and in particular to watch MacArthur's body language as they drove the starving men out of the city, was eye opening.

On the other hand *The Talking Show* is a series which, however good it may have seemed at the discussion stage, should never have been allowed to reach the screen. No doubt the producers said "We've never had a television series about the human voice – you know, accents, public speaking, conversation, everything", but perhaps there are good reasons. Sandy Toksvig, the presenter, is an excellent comedian, but that is scarcely what is needed here, and the idea of trying to distract us from the programme's shortcomings by laying disco beat over most of the soundtrack is a disaster. It might have worked better as a radio series, though even then it would have needed radical re-thinking.

On *Blood And Belonging* we shall have to wait before reaching a firm conclusion. The idea of having Michael Ignatieff investigate the resurgence of nationalism by globe-trotting through some of the worst affected areas seems sensible enough. He has proved himself an excellent conductor of studio discussions, admirably free of the urge suffered by so many television journalists to go tabloid and talk down to the viewers. Given his background (born in Canada of Russian parents with a childhood in Yugoslavia and recent years in the UK with its Northern Ireland problem) he would seem ideally suited to such a series.

Yet the opening episode was rather less than enlightening. We watched Ignatieff's profile as he drove down a road perforated with borders musing "Is it ever going to be possible for Serbs and Croats to live together again? I don't know ... It's so difficult to understand ..." He asked a couple of Croats "What do you feel when you look out that way and you see Serbs on Croatian territory?" and was told "It hurts, it hurts". He picked over the detritus of a smashed concentration camp museum and wandered through other ruins. It all looked awfully like the places where Martin Bell has been filming since the whole ghastly business began. We can hardly blame Ignatieff if the honest conclusion is that it is all depressing and virtually hopeless, but if we wanted astute analysis of the roots and sprigs of nationalism we might have done better to keep him behind a studio table.

The most entertaining of the week's new programmes was clearly the BBC1 comedy *If You See God Tell Him* which lasted 45 minutes instead of 30, had no laughter track, and starred Richard Briers and Imelda Staunton. This is one of those comedies that rest on a single idea: in this instance, Briers (Godfrey Spry, hence God) is hit on the head by a load of builders' rubble and as a consequence becomes entirely credulous, believing every word of every advertising campaign. He test drives cars along clifftops at sunset, crunches crisps all through his wife's funeral, and visits his bank manager convinced that he will be allowed to borrow a million pounds. Briers is splendid in the role, and the running gag held up strongly throughout the opening episode; the only question is whether it can sustain three more. Since producer/director Marcus Mortimer is having a wonderful time making marvellously accurate spoof television commercials, the answer may well be yes.

Opera/**Max Loppert**

Glasgow 'Flute' in London

The new Covent Gardan *Zauberflöte* is on loan from Scottish Opera. It was first given in Glasgow a year ago, hugely enjoyed and widely praised (by, among others, Richard Fairman on this page), and then snapped up to fill a hole in tha Royal Opera's planning schedule.

This, alas, is where the problems start. The transfar of an opera-staging from one company to another, more common than ever in the economically straitened 1990s, is fraught with danger – these are fragile plants, organically grown, and all too often fail to blossom, or even survive, in alien soil. As seen and heard at Covent Garden on Monday, this *Flute* is not exactly withered, just rather etiolated; disappointingly, its success in reproducing those qualities originally so much admired is considerably qualified.

Martin Duncan's sparky production, in the chic, up-to-the-minute designs of Ken Lee, has both a saucy freshness and a keenly intelligent command of the original text (a great deal more of the opera's symbolic aroma is taken on board, or at least hinted at, than in most current *Flute* productions). Bright poster-paint colours – yellow and violet are the show's trademark – do not render impossible the opera's acts of ritual but do exclude unwanted portentousness. The costumes, which make sly reference to children's book illustrations, high fashion, 1950s film musicals, and also longstanding Mozart tradition, are a particular delight.

But it all fails to fill out the Royal Opera space; and so what was doubtless a triumph of imaginative modern opera-design in the Glasgow Theatre Royal starta to look insubstantial in the wrong way on the broader, deeper Covent Garden stage. The cunningly economical use of drop-screens and trollies does not disguise the sense of inapt foreshortening that has taken hold. After a while Duncan's habit of moving his characters in group dance sequence in time to the music begins to irritate. Details remain witty. The larger whole, not always accurately lit, lacks resonance.

Other reasons for the shortfall suggest themselves. In Glasgow the production had the benefit of Jeremy Sams's frisky translation – just what it needs. In London, the original language, though generally more punchily spoken and sung than it sometimes is in this theatre (by Kurt Streit's Tamino and Robert Lloyd's Sarastro especially), sits oddly on an almost entirely anglophone ensemble and an English-speaking audience; as ever in operatic comedy, the surtitles simply cannot make up the difference. The cast, of decent standard, seems slotted into the staging, not essential to the germination of its theatricality – this is a familiar by-product of production-loans.

But to my mind easily the most powerful reason is the choice of Andrew Parrott as conductor. Parrott is a pioneering concert-hall exponent of Early Music and "period" practice; his theatre experience is limited, and his command of *Die Zauberflöte* even more so, as he reveals in almost every bar of the score. The concern to produce a quasi-"period" orchestral balance with the ROH's modern-instrument band leads in practice to acres of dry, flat, unluminous texture; the obsession with style-conscious fast tempos to a hectic, short-breathed rattling-along which serves the singers badly and the growth of dramatic momentum very little.

So the musical pleasures, such as they are, are momentary, not regular, and confined to the most experienced and confidently communicative members of the cast. This means above all Mr Streit's boyishly athletic, vocally expert hero, equally good in phrases of reverie and decision, Lloyd's admirable leader-priest (an interestingly disturbing figure), and Sumi Jo's matchlessly pure, pearly-voiced Queen. Gordon Hawkins's Speaker makes a notably warm yet muscular impression; the Three Ladies (Lynda Russell, Leah-Marian Jones, Catherine Wyn-Rogers) are well matched, the three Boys (young girls, actually) likewise.

Amanda Roocroft continues to develop her Pamina: she is now much surer on stage than when last encountered in this theatre, and spins out long lines with touchingly true musicianship. I wish I liked the actual sound of her lower and middle registers more.

Papageno – make-or-break factor of any *Flute* – seems to me miscast: Pater Coleman-Wright, the ENO's aquiline Giovanni, noble Billy Budd and sinisterly handsome Tarquin, works hard at the production's birdman routines but looks and sounds temperamentally and physically ill-suited to distilling from them the authentic, house-warming vocal and personal charm.

Royal Opera, Covent Garden: in repertory until December 11

Alastair Muir

Kurt Streit as Tamino in Martin Duncan's production

Theatre/**Alastair Macaulay**

The trouble with Berkoff . . .

Steven Berkoff is one great rampant ego. His energy is terrific, and every scrap of it is ploughed into showing off. Both in motion and in speech, he draws maximum attention to his own method of performance. Yet the more you attend to the way he performs, the harder it becomes to take in what he is performing. His current solo show, *One Man* – which has just opened (after its Edinburgh Festival Fringe outing) at the Garrick – consists of three different "acts". In none of them, however, has his style any depth. All is flashy, over-elaborate surface.

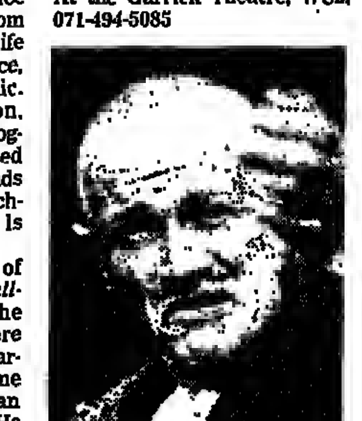
Berkoff's art is one of cartoon-like over-emphasis. The point of his sketches, like Monty Python's, is that they go into overkill. But no Python performer was ever so self-regarding or relentlessly cynical as this. One of this evening's three sketches is *The Actor*, in which, like a failed actor keeping fit, he jogs into a whirlpool: a non-stop downward spiral of going to auditions, ringing his agent, losing his wife, visiting his parents, meeting fellow-actors and bitching about those in employment behind their backs. Parts of the audience are amused by this far from original vision of an actor's life as an endless round of malice, hypocrisy, envy, and panic.

The dominant impression, however, is of the non-stop jogging-on-the-spot many-voiced virtuosity that Berkoff expends on it. His combination of technical bravura and spite is loathsome.

Worse is the version of Edgar Allen Poe's *The Tell-Tale Heart* which forms the evening's opening half. Here Berkoff embroiders Poe's narration of furtive but gruesome murder and paranoia with an endless array of actorliness. He changes voice and accent several times in mid-sentence; he repeats the word "stealthily" seven times while (a) diminishing it into silence (b) exaggerating the oral gesture of *saying* it; he demonstrates 20 different ways of laughing (in series); and so forth. When a police siren is heard outside the theatre, he incorporates that too into his act – with such relish, and in such a studied way, that you realise he welcomes such intrusions as a way of showing off further.

Dog, with which Berkoff closes this programme, is the least irritating. Here he is a lager lout and his killer mastiff; and here at last his cartoon-type method has some comic success – mainly in the throttled rage with which he invests the dog. As long as he is busy alternating between personae, *Dog* keeps Berkoff out of his usual love of excess. But here too there are passages when Berkoff paints the lily, then gilds it, and finally then shoves knobs on it. These occur when Berkoff cannot suppress his naturally adolescent love of gruesomeness – as when he mimes vomiting until he mimes swimming through his own vomit; or (in *Tell-Tale Heart*) when he mimes hacking through each different fibre of the corpse. All that energy, and all of it pumping into a form of self-display both decadent (in its love of excess) and immature.

At the Garrick Theatre, WC2, 071-494-5085



Rampant ego: Steven Berkoff in 'One Man'

Theatre/**Andrew St George**

Too much buzz about Wasps

Lawyers are people who help you get what is coming to them. They have long been satirised, and nowhere better than in Aristophanes' *Wasps*, now at The Place Theatre. The production makes a gloriously energetic and confused hash of the original, but manages in parts to be so enjoyable that it matters little that the catch-all satire fails to catch very much.

The action centres on Procleon, an old juror devoted to the Athenian system of civil courts. In this litigious society where the greatest power is the power of the attorney, he basks in his position as civil arbiter, "it makes mere wealth pale by comparison." His son, Anticleon, is convinced of the corruption in the system, and tries to distract him from the courts first by urging him to try cases at home, and then by luring him out to society dinners.

Fifth-century Athens and its legal system is so remote that the action sometimes seems baffling. There is, however, a universal and rooted dislike of lawyers. Perhaps the world of *Wasps* is more like that of the Think Tanks on Capitol Hill or the non-executive directorships in the City: "It's an achievement," admits Anticleon, "not to be held accountable." And if Athenian law was reason free from passion, Aristophanes is quick to turn the event into more of a competency hearing than a trial.

The company, Aquila Productions, has tackled *Clouds* and *Frogs* and has performed Off Broadway and at Delphi, so it should know how to create the best Aristophanic chaos and match it to the venue. At The Place Theatre, the actors roam throughout the audience, and a middle seat is no hedge against enforced participation.

There is an incomprehensibly sung jazz and blues score delivered by two musicians at the back of the open stage. The show's best touches are also American: a revivalist preacher comes to give the play's message, wandering amongst the audience crying "Lemme hear ya say *Shame*"; and the home trial of two dogs brings on "Butch" from *Tom and Jerry* growling "Dat's ma boy!"

The six actors, and some of the audience, race around at breakneck speed, so I hope theatre is insured against liability suits from distressed theatregoers. Still, theatre is cheaper than court. The show runs for 90 minutes; take the cost of the ticket from the cost of 90 minutes with Counsel and have a week end in New York on the difference.

At The Place Theatre, WC1 (071 387 0031) until November 27

INTERNATIONAL ARTS GUIDE

■ BONN

Beethovenhalle Tonight, tomorrow: Dennis Russell Davies conducts Orchestra of the Beethovenhalle and Bonn Philharmonic Chorus in Gorecki's Small Requiem and Brahms' German Requiem. Sun: Christoph Eschenbach conducts Bamberg Symphony Orchestra in Mahler's Seventh Symphony (0228-773666)
Oper Fri and next Mon: Spiros Argiris conducts Gian-Carlo del Monaco's new production of La fanciulla del West, with cast led by Barbara Daniels. Sat: Werther. Sun: Otello. Next Tues: Lortzing's Der Wildschütz (0228-773667)

■ BORDEAUX

Palais des Sports Tonight and tomorrow: Alain Lombard conducts Orchestre National Bordeaux Aquitaine in Mahler's Sixth Symphony. Next week's concerts are conducted by Fabio Luisi (5648 5854)
Grand-Théâtre Tonight and tomorrow: new production of three Stravinsky ballets, choreography by Ted Brandsen, Paolo Bortoluzzi and Erich Walter. Sat: Zino Vinnikov conducts orchestral works by Handel, Bottesini and Mozart. Nov 23-27: Nederlands Dans Theater (5648 5854)

■ CANNES

An International dance festival takes place at tha Palais des Festivals from Nov 24 to Dec 1. Guest companies include Bill T. Jones/Arnie Zane Dance Company, Lucinda Childs Company, Cullberg Ballet with Mats Ek's Carmen, Phoenix Dance Company from Leeds with choreographies by Pamela Johnson and Donald Byrd, and Compania Nacional de Danza from Madrid with three works by Nacho Duato (9298 6277)

■ FRANKFURT

Oper Tonight, Sun: Sylvain Cambreling conducts Matthias Langhoff's new production of Simon Boccanegra, with cast led by John Bröcheler and Barbara Madra (repeated Nov 24, 27, 29, Dec 2, 4, 8). Tomorrow, Sat: William Forsythe's ballet As a garden in this setting. Fri: Il barbiere di Siviglia (069-236061)
Alte Oper Tonight: George Benjamin conducts Ensemble Modern in Takemitsu, Jonathan Harvey, Wolfgang Rihm and Benjamin. Fri: Alexander Dmitriev conducts St Petersburg Symphony Orchestra in Brahms and Rakhmaninov, violin soloist Vadim Repin. Sat: Scott Weir song recital. Sun morning, Mon evening: Sylvain Cambreling conducts Frankfurt Opera Orchestra in Beethoven and Zemlinsky. Nov 25: Peter Ustinov (069-134 0400)
Jahrhunderthalle Hoechst Tonight, tomorrow: Porgy and Bess. Fri: John Lubbock conducts Orchestra of St John's Smith Square in Sibelius, Mendelssohn and Beethoven, piano soloist André Watts (069-360 1240)

■ GOTHENBURG

Konserthuset Fri, Sat: Gothenburg Chamber Orchestra plays works by Handel, Bach, Mozart and Suk. Next Tues: Gothenburg Brass Ensemble. Next Wed, Thurs: Neeme Järvi conducts Gothenburg Symphony Orchestra (031-167000)
Stora Teatern This month's repertory consists of a new production of Rigoletto, conducted by Gabriele Bellini staged by Sonja Frisell, and revival of Christopher Renshaw's of Die Zauberflöte (031-131300/031-136500)

■ HAMBURG

DANCE/OPERA
Repertory at the Staatsoper includes John Neumeier's ballet to Mozart's Requiem, La traviata with Tiziana Fabbricini, Francisco Araiza and Giorgio Zancanaro, and Ruth Berghaus' production of Tristan und Isolde (040-351721)

CONCERTS
Nikolaus Harnoncourt conducts Brahms' German Requiem tonight at St Michaelis-Kirche (040-351721). The Musikhalle has a trumpet recital by Maurice André on Mon, concerts by North German Radio Orchestra conducted by Krzysztof Penderecki on Nov 28 and 27, and an evening with Peter Ustinov on Nov 29 (040-354414)

THEATRE
Tony Kushner's Angels in America receives German premiere on Fri at the Deutsches Schauspielhaus, directed by Werner Schroeter. Repertory includes Shakespeare's Troilus and Cressida and new adaptation of Goethe's Faust Parts One and Two (040-248713)

■ LEIPZIG

Gewandhaus Tonight, tomorrow, Fri: Kurt Masur conducts Gewandhaus Orchestra and Chorus in Brahms' German Requiem, with soloists Edith Wiens and Siegfried Lorenz. Next Tues: Daniel Nazareth conducts MDR Symphony Orchestra in works by Berg, Richard Strauss and Skryabin, violin soloist Christian Altenburger (0341-713 2280)
Opernhaus Tonight: Wagner/Pax questuosa, ballet by Uwe Scholz. Tomorrow: Jakob Lenz, chamber opera by Wolfgang Rihm. Fri: Scholz's production of Coppelia. Sat: Die Zauberflöte. Sun: Bartok/Schoenberg double bill (0341-291036)
Schauspielhaus Tonight: Vienna's Burgtheater opens Leipzig's avant-garde theatre festival with George Tabori's Reports for an Academy. Tomorrow: Schauspiel Leipzig presents Alfred Jarry's Ubu Roi. The festival, which runs till Sun, also features dance and theatre ensembles from Helsinki, Tokyo and Bucharest (0341 792 2162)

■ MUNICH

Staatsoper Tonight, Sat, next Wed: Gerd Albrecht conducts Thomas Langhoff's new production of La Damnation de Faust, with Thomas Moser, Jeanna Piland and Alan Titus. Tomorrow, Sun: Elektra with Gwyneth Jones and Christa Ludwig. Fri: John Cranko's ballet Onegin. Mon, Tues: Peter Schneider conducts Bavarian State Orchestra in works by Mozart, Herbert Willi and Richard Strauss. Nov 25, 28: Meistersinger (089-221316)
Cuvilliés-Theater Tonight: Heinrich Bender conducts Nikolaus Lehnhoff's production of Henze's Der Prinz von Homburg, with François Le Roux, Helga Dernesch and William Cochran. Repeated Nov 21, 26, 30 (089-221316)

■ OSLO

Konserthus Tomorrow, Fri: Hans Vonk conducts Oslo Philharmonic Orchestra and Chorus in works by Brahms and Beethoven. Next Wed: Lucia Aliberti sings opera arias. Next Thurs and Fri: Mariss Jansons conducts Honegger and Bruch (2283 3200)

■ STOCKHOLM

PENDERECKI FESTIVAL
The festival reaches its climax over the next four days with performances by Cracow Philharmonic Orchestra and Chorus, Stockholm Chamber Orchestra and Royal Stockholm Philharmonic Orchestra. In the final concert on Sat, Penderecki conducts his Second Cello Concerto (Mstislav Rostropovich) and Fourth Symphony. (tickets 08-102110 information 08-212520)

ROYAL OPERA
Repertory consists of a new production of La traviata, conducted by Mario Guidarini and staged by Knut Hendriksen, plus Boccaccio and Cav and Pag. The Swedish premiere of Glen Tetley's Shakespeare ballet The Tempest takes place on Nov 26 (tickets 08-248240 information 08-203515)

■ STRASBOURG

Palais de la Musique Tomorrow, Fri: Yuri Ahronovich conducts Strasbourg Philharmonic Orchestra in works by Grieg and Dvorak (8852 1845)
Théâtre Municipal Sat, Sun: Patrick Davin conducts Luc Bondy's Brussels production of Philippe Boesmans' opera Reigen. Nov 26: first of five staged performances of Schumann's Manfred (8875 4823)

■ STUTTGART

Staatstheater Tonight: Hans Zender's new opera Don Quijote de la Mancha. Fri, next Wed: Gabriele Ferro conducts concert performances of La Damnation de Faust, with Glenn Winslade, Marilyn Schmiege and Philippe Rouillon. Sat, next Tues: Ruth Berghaus' production of La traviata. (0711-221795)

ARTS GUIDE
Monday: Berlin, New York and Paris.
Tuesday: Austria, Belgium, Netherlands, Switzerland, Chicago, Washington.
Wednesday: France, Germany, Scandinavia.
Thursday: Italy, Spain, Athens, London, Prague.
Friday: Exhibitions Guide.

European Cable and Satellite Business TV
(All times are Central European Time)
MONDAY TO THURSDAY
Super Channel: European Business Today 0730; 2230
Monday Super Channel: West of Moscow 1230.
Super Channel: Financial Times Reports 0630
Wednesday Super Channel: Financial Times Reports 2130
Thursday Sky News: Financial Times Reports 2030; 0130
Friday Super Channel: European Business Today 0730; 2230
Sky News: Financial Times Reports 0530
Saturday Super Channel: Financial Times Reports 0930
Sky News: West of Moscow 1130; 2230
Sunday Super Channel: West of Moscow 1830
Super Channel: Financial Times Reports 1900
Sky News: West of Moscow 0230; 0530
Sky News: Financial Times Reports 1330; 2030

Edward Mortimer

Peace role in pieces

Peacekeeping and military intervention have become indistinguishable

Not so long ago, we all thought we knew what "peacekeeping" meant. If two warring parties agreed to a ceasefire, a peacekeeping force was sent in, usually by the UN, to help them observe it.

This happened in the third world. Peacekeeping was not required in Europe unless you count Cyprus. Peace in Europe was kept by the mutual deterrence of two heavily armed alliances, each dominated by a nuclear superpower. Peacekeeping was an instrument the superpowers used to contain conflicts on the periphery of their spheres of influence, so as to lessen the risk that they themselves would become directly involved. Consequently they did not contribute troops of their own.

All in all, peacekeeping was rather small beer. In 1987 the UN had only five peacekeeping missions on foot, deploying a total of 10,000 personnel at a cost of $233m. It was not something a serious military organisation such as Nato would bother with.

How times have changed. Today peacekeeping is all the rage, especially in Europe. Both the US and Russia have contributed troops to UN peacekeeping forces. And Nato is very much interested, seeing peacekeeping as one activity which can occupy its formidable staff of military planners, and indeed justify its continued existence, now that its original *raison d'etre* has gone.

But no one knows any longer what peacekeeping is. Most of the 13 current UN peacekeeping missions, on which 75,000 troops are now deployed at a cost of $3bn, involve tasks well beyond those of "classic" peacekeeping, such as monitoring or organising elections, aid to refugees and disaster victims, demobilisation of forces, collection of weapons, and disarmament of paramilitary or irregular units.

In an excellent survey of the subject published last month* Mats Berdal, a research associate at the International Institute of Strategic Studies, points out that peacekeeping forces now have to operate in much less "permissive" environments than in the past. Instead of states with effective control of their territory and armed forces, peacekeeping forces find themselves confronting "myriad paramilitary groups, militias and 'uncontrolled' elements", which frequently ignore ceasefires negotiated by their nominal superiors. Thus although in theory peacekeeping, as distinct from armed intervention, still requires the consent of the warring parties, in practice "only partial or sporadic consent obtains".

Mr Boutros Boutros-Ghali, UN secretary-general, was aware of this problem last year

UN soldiers are becoming less credible either as peacekeepers or as enforcers of UN decisions

when he drafted his "agenda for peace". He described peacekeeping as a "technique" which could contribute both to preventing conflict and to peacemaking, and defined it as "the deployment of a UN presence in the field, hitherto *with* the consent of all the parties concerned".

Similarly, Nato has now produced a "draft doctrine for peace *support* operations", of which peacekeeping "narrowly defined" is only one member. And even in that *narrow* definition, "consent of the parties" has disappeared. Peacekeeping, according to Nato, "is the containment, moderation and/or termination of hostilities between or within states, through the medium of an impartial third party intervention, organised and directed internationally, using military forces, and civilians to complement the political process of conflict resolution and to restore and maintain peace".

Nato uses the phrase "conflict prevention" for activities under Chapter VI of the UN Charter, which deals with "pacific settlement of disputes". It uses the word "peacemaking" for diplomatic actions, up to and including sanctions, which are "conducted after the commencement of conflict, with the aim of establishing a peaceful settlement"; whereas "peace enforcement", in Nato's vocabulary, involves using military means to restore peace, as provided for in Article 43 of the UN Charter.

This is confusing, because Mr Boutros-Ghali, who coined the phrase "peace enforcement", had distinguished it from use of force under Article 43. His proposed "peace enforcement units" would be sent, as a "provisional measure" under Article 40, to "restore and maintain" a ceasefire which had been "agreed to but not complied with".

To make matters even more confusing, Mr Boutros-Ghali included both types of enforcement under the heading of "peacemaking", even though he defined this as "action to bring hostile parties to agreement, essentially through such peaceful means as those foreseen in Chapter VI".

Clearly the key difference between peacekeeping and enforcement is that the former is supposed to be impartial, whereas the latter involves taking sides. But the distinction is getting blurred.

In Bosnia the UN "protection force" is still trying to behave impartially, in spite of UN sanctions against Serbia, and has therefore failed to act on Security Council resolutions authorising it to use force to get supplies through to suffering civilians. In Somalia, by contrast, the mandate of the UN force referred specifically to Chapter VII of the charter, and the UN force found itself involved in clashes with one of the Somali factions. It is probably inaccurate to call it a peacekeeping force at all.

The result of all this confusion is that UN soldiers anywhere are becoming less and less credible either as impartial peacekeepers or as enforcers of Security Council decisions. The matter should be clarified without delay.

* *Whither UN Peacekeeping? IISS/Brassey's £10/$17.*

Beggar your neighbour

Bob Tyrrell and Charlotte Cornish on the big chill facing those who depend on state welfare

The growth of the welfare state in advanced economies over the past 40 years has reflected the social and political priorities of the post-war period.

Increased welfare provision was seen as a grand egalitarian gesture after the privations of the second world war, part of creating a more just society. But by mitigating the human cost of economic change, it was also a form of social investment in building successful and stable economies.

That vision has been blurred, however, by changes in the social and political environment which have come with intensified global competition and the growing problems of national economies. Today, the welfare state sits beleaguered – increasingly shunned by those who can afford private provision and resented by those who have no choice but to use its services.

Support for the welfare state has been undermined by two factors. The first is the gradual increase in affluence, which has changed the balance between those whose interests are served by collectivism and those whose interests are served by private solutions. The second is the increasing cost of social security benefits as economic growth has faltered and unemployment has risen. In many western economies, this cost has been further amplified by the erosion of family and community forms of social support.

The loss of support for collectivism can be traced in popular resistance to paying higher taxes which developed in the 1970s, initially in the US, and spread through the advanced economies. This resistance developed into "scrounger phobia" in the early 1980s, with attacks on a culture of dependency supposedly encouraged by the nanny state.

As income tax regimes have become less progressive, the rhetoric of politics has altered. The Christian ethic and socialist idealism behind the modern welfare state proclaimed an inclusive vision of society, a belief in the possibility of redemption for everyone. Now, talk of winners and losers as the natural state of affairs is more common. In the harsher economic climate of the 1990s, the idea of irredeemably evil people has been resurrected, with the invention of new categories of "deviants", such as irresponsible single parents, who ought to be excluded from welfare support.

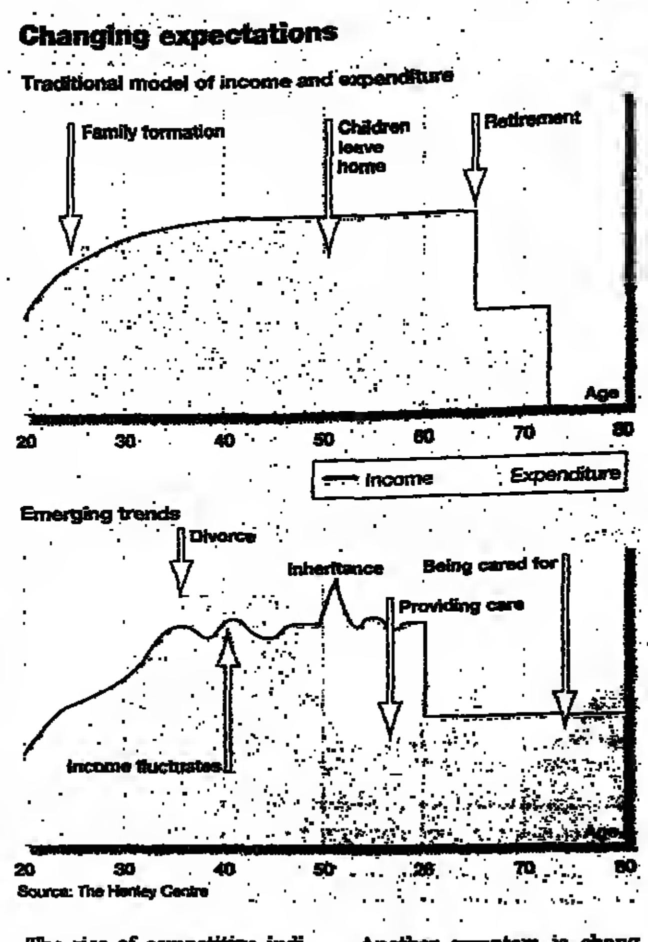
At the same time, people have become less secure about their financial position, as the two charts show. Until as recently as five years ago, Europeans typically expected their income and expenditure to vary over their lives in the smooth and predictable pattern shown in the first chart. The much more volatile pattern of income and expenditure in the second chart is likely to be perceived as the norm today.

This loss of economic security and confidence has undermined public support for collectivist welfare policies. The Planning for Social Change survey produced by the Henley Centre, a marketing and strategic planning consultancy, reveals a dramatic change in views on the most effective way of improving the quality of life in Britain. Those polled are asked to choose between two options:

- "Looking after our own interests, which ultimately raises standards for everyone".
- "Looking after the community's interests rather than your own".

There has been a steady move away from the first "Thatcherite" answer towards the second collectivist option between 1986 and 1991. But, as the recession continued and unemployment increased, support moved back to putting the individual's interests first, and this had become the majority choice by 1993.

This move away from collectivism has been described by Stewart Lansley (*After the Goldrush*, forthcoming from Century) as "competitive individualism". It holds that people cannot afford to be other than self-interested. Taxpayers increasingly feel that they cannot afford to pay higher taxes because they need the income to keep themselves out of the unacceptably low-quality public services such as health, transport, education, or to maintain their security from crime. This corrodes support for the welfare state.



Source: The Henley Centre

The rise of competitive individualism also undermines the ability of other bodies to assume some burdens of the welfare state. Even the family, where co-operation was the norm, has been touched by greater individualism.

One symptom of this is the increase in divorce and rise in numbers of lone-parent families across the western world. In the UK, with one of the highest divorce rates in Europe, one in three first marriages ends in divorce and one in five families is headed by a lone parent. While this may have many causes, it is arguable that the increase in lone-parent families reflects a decline in individuals' willingness to subordinate their interests even to the collective unit of the nuclear family.

Another symptom is changing consumption patterns. The duplication of consumer durables such as TVs and cars within households allows greater freedom from the uniformities that might otherwise be imposed by family decisions. The most recent generation of durables, such as the video recorder and the microwave oven, seem almost to have been designed to appeal to the family that no longer plays together.

Even with more mundane products such as shampoo, butter and breakfast cereals, individual family members seem to prefer to make their own choices. The household product that all the family uses is becoming a rarity.

Economic and social changes such as these make it harder for societies to cope with demographic change expected over the next generation. People are less willing to contribute towards rising welfare spending resulting from the ageing of the population. Yet there are fewer alternatives to state support for the old and other disadvantaged groups.

In many countries concern over exploding pensioner populations has cast a cloud over expectations of an idyllic "third age" for the next generation of senior citizens. In Germany it began in 1989, when actuarial reports to the government rang alarm bells about the costs of supporting rising pensioner populations in the next 20 years. Employees' social insurance contributions were increased, the retirement age was raised and the level of pensions was reduced.

Elsewhere, particularly where pension systems are based on state pay-as-you-go schemes, concerns are now mounting. In France, a recent report estimated that the state pension fund would be in deficit to the tune of FFr300bn (£34.3bn) by 2010 compared to FFr20bn today. Similar analyses in Spain, Greece and Italy have come to the same conclusion: more of the costs of tomorrow's elderly populations must be paid for today whilst their expectations of universal and rising benefits must be moderated.

Underlying this conclusion is the assumption that social and economic change have made it impossible for the state to assume increasing responsibilities in the way that seemed natural until quite recently.

At the same time, the ability of other bodies, such as the family, to take these on is hardly reassuring. New responses may well emerge from the family, or new institutional forms may fill the gap.

For those with the skills to qualify as core employees, the extension of corporate welfare may offer a lifeline. The US communitarian movement has advocated new community organisations to provide local support.

But for those who *must* rely on the welfare state, the world is becoming a colder, harsher place in the social and political conditions of the 1990s.

Bob Tyrrell is chief executive of the Henley Centre and Charlotte Cornish is a senior analyst. This is the third article on welfare states around the world. Previous articles appeared on October 25 and November 3.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL
Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Alternative to pensions privatisation

From David Miliband.

Sir, Philip Stephens is right to point out that the privatisation of pensions, floated by Michael Portillo, chief secretary to the Treasury, raises as many questions as it answers ("The National Insurance fiction", November 11). Not least of these is the problem of one generation (probably mine) being asked to pay twice – for our parents and for ourselves. He does not, however, mention that reform is necessary now to prevent contributory benefits withering away.

Today, only three out of every 10 jobless people actually receive unemployment benefit. A similar proportion of women receive the full national insurance pension on the basis of their own contributions.

As the first in a series of "issue papers" published by the Commission on Social Justice pointed out last week, the rigid structure of national insurance – based on a fiction about bread-winning fathers and caring mothers – is at odds with our flexible labour market and variegated family structure.

The status quo is not an option. But privatisation is not the only alternative. Radical reform of National Insurance to preserve its ideals – security, universality, fairness – is possible, but only if we match the system more closely to the realities of economic and social life today.

David Miliband,
secretary,
Commission on Social Justice,
Institute for Public Policy Research,
30-32 Southampton Street,
London WC2E 7RA

IMF to fund Russia on performance, not promises

From Mr John Odling-Smee.

Sir, Jeffrey Sachs asserts ("IMF 'is missing its big chance'", November 11) that the International Monetary Fund "was told this year to spend US$13bn on Russian reform". As an adviser to the Russian government, Sachs should know that the IMF was not "told" to do anything of the sort. The main industrial countries said publicly this year that *if* economic reform and stabilisation in Russia proceeded in line with agreed targets, the IMF *could* make available $13bn to Russia. But Russia did not implement its stabilisation plans – for example, inflation continues to run at an annual rate of more than 1,000 per cent.

The disbursement of IMF funds must be linked to actual performance and not merely, as Sachs seems to imply, to hopes and promises.

Sachs complains that the IMF is not "now negotiating with the Russians". In fact, the IMF staff have been, and continue to be, in close contact with senior Russian officials in Moscow, and are discussing in detail the measures needed to achieve financial stabilisation and reform.

As in the past, we stand ready to agree on the further use of IMF resources as soon as the Russian authorities as a whole are in a position to commit themselves to and implement, on a sustained basis, a strong adjustment programme.

John Odling-Smee,
director,
European II department,
International Monetary Fund,
Washington, DC 20431,
US

Sick pay a tax on employers

From Mr G W Burndred.

Sir, I am appalled to read the biased reporting in your article "Treasury set to force severe cuts in sick pay subsidy" (November 12). You write blandly of the "subsidy" given to employers and the possibility of that "subsidy" being reduced from 80 per cent to 60 per cent.

May I remind your readers that statutory sick pay was a burden placed upon employers a few years ago and that, initially, employers were recompensed by the government for the administration costs of making what amounts to social security payments on their behalf.

Statutory sick pay is now a tax on employers.

Perhaps with a more factual approach to such reports, your newspaper might avoid preparing such an easy path for the government to impose yet further taxation on industry.

G W Burndred,
managing director,
Tangum Hydraulics,
The White House,
Arle,
Cheltenham GL51 0AD

No to parish pump society

From Mr Alex Robertson.

Sir, How much noise Bill Cash (Letters, November 13/14) and his parish pump society make! Of course the FT is correct that the name we use to describe Europe is unimportant! Anyone would think Cash and his like alone were defending the best interests of the people of the UK. It is high time that people making the wealth turned and told them that they do no such thing.

The truth is that our economic and political future lies within Europe. Millions are toiling to make jobs and wealth in a large but keenly competitive market. They see the opportunities and work hard to turn them into profit. But people like Mr Cash seek to cripple us and suppress our commercial urges. Any fool but he realises that the European Union makes our job easier. The only sovereignty he seeks to protect is the right to sit in a parliament which grants itself extravagantly self-indulgent pay rises and makes no-hoper MPs feel important. He is a pest, he is wrong and he should be told in plain Anglo-Saxon terms to shut up or go away.

Alex Robertson,
Lange Leemstraat 268,
B2018 Antwerp, Belgium

Historic right

From Miss Jane de Belvoir.

Sir, Women priests have a long and distinguished history in Britain except for a brief period of less than two millenia when the wishes of the Christian god held sway.

Are they not, therefore, entitled to be addressed correctly as priestesses?

Jane de Belvoir,
4 Feurise Lodge,
Swindon, Wiltshire SN15 9YZ

European unemployment crisis and monetary policy inseparable

From Mr Jan-Peter Olters.

Sir, Saying that the "'real issue' facing Europe is the task of reducing unemployment" is – as far as I can see it – virtually unchallenged ("Pohl sees jobs crisis as main European task", November 11). I do not see the European unemployment crisis as separate from a common and co-ordinated European monetary policy. The argument is two-fold.

First, a monetary union has never been a goal *per se*. It has been decided upon as an instrument to reduce exchange rate risks and foster trade. Increased trade, in turn, will help to create additional jobs.

Second, the options that governments have to reduce unemployment are very limited, almost non-existent: a traditional Keynesian-style fiscal stimulus programme might, faced with high public debts and deficits, be an ill-advised policy or simply impossible. The same argument basically applies to tax-reduction proposals. Expansive monetary policy, as undertaken in North America, stops in Frankfurt. Labour market deregulating policies, at least as long as they translate into an erosion of real wages, will constrain aggregate demand even further.

So, why not exploit the few remaining options Europe still has? Analysing the common-currency debate in light of the European unemployment crisis leads to the recommendation to speed up the process to Emu rather than to slow it down. A common monetary policy should remain the main priority.

Jan-Peter Olters,
3558 Avenue Lorne #7,
Montreal, PQ H2X 2A6,
Canada

FINANCIAL TIMES

Number One Southwark Bridge, London SE1 9HL
Tel: 071-873 3000 Telex: 922186 Fax: 071-407 5700

Wednesday November 17 1993

All change for Italian banks

AFTER MORE THAN a year of delay, the strategy behind Italy's banking privatisations is now clear. Disposals of state shares in the country's banks are starting with the sale of the state holding company's 67 per cent stake in Credito Italiano. Once liberated from state control, Italian banks will be able to play a much more effective role as traders and shareholders in stocks of other companies to be privatised later.

If the exercise goes according to plan, it should provide an important force for change in a banking industry which has been long shielded from competition. It will produce a welcome increase in overall Italian equity capitalisation. And it will bring in much-needed receipts for the administration of Mr Carlo Azeglio Ciampi, who is struggling to maintain ambitious deficit-cutting policies in the face of a recession-induced fall in tax revenue.

With every week that passes, government regrets must be increasing that privatisation did not start sooner. After a sharp fall in the Milan stock market since August, the sales are starting at an unpropitious moment. Both Credito and Banca Commerciale Italiana, scheduled for sell-off next spring, claim their profitability has increased this year. But after trebling in the four months after Italy's ERM exit in September 1992, Credito's share price has fallen by one-third this year. Financial market uncertainties are likely to increase as the countdown gets under way to new elections, probably next spring, which are intended to find replacements for a political class discredited by scandals.

In view of the Italian authorities' overwhelming determination to make the Credito launch a success, and the bank's heavy exposure to the troubled Ferruzzi group, the shares are certain to be sold at a heavy discount. After the failure of initial efforts to sell Credito to a domestic or foreign institution, the government is trying to encourage interest from retail investors through a vigorously-marketed public offering. Although individual shareholders' stakes are being limited to 3 per cent, some institutions may form alliances to build a collective controlling stake. This would increase the likelihood of secure placement. But it would also run counter to Mr Ciampi's sensible objective of wider share ownership.

Even after the Credito sale, longer-term prospects for the banking industry will remain cloudy. New, non-political leaders will be needed. Relatively high profitability will fall as competition increases. Consolidation of Italy's large number of regional banks, coupled with the relaxation of traditionally tight controls on branch opening, will lead to a smaller number of institutions with a wider spread of activities. During the next decade, the banks will play a crucial role in dismantling the apparatus of public sector corporatism of which they hitherto formed a part. The sell-offs under preparation are the first stage in a long journey.

Half a big stick

HOW SMALL is a minimum nuclear deterrent? After months pondering the appropriate level of armament for its new Trident submarines, the British government has come up with an enigmatic formula. Its decision to keep the total explosive power in line with that deployed on its ageing Polaris submarines is meant to deliver a political message, without revealing anything about either system in terms of actual warhead numbers or megatonnage of destructive force.

As a gesture, the self-limitation policy is logical and timely. To have pressed ahead with anything like the full potential of Trident, ordered during the cold war, would have left the UK out on a limb with China as the only recognised nuclear powers actively strengthening their arsenals while the US and Russia embark on deep cuts in their nuclear stockpiles.

Good faith by the nuclear powers in curbing their armouries will be crucial for hopes of securing renewal of the Non-Proliferation Treaty – perhaps the most important of all arms control pacts – in 1995. A complete ban on nuclear testing, which the UK has come around to supporting, could also have considerable symbolic effect.

Sound arguments can still be made for keeping nuclear weapons. They are integral to the Nato security structure, part of the Nato bargain being that the US does not bear the nuclear burden alone. Britain and France may also have good reasons for keeping forces as a hedge against future upsets – a return of east-west confrontation or a direct threat from a new nuclear state.

But clarity is needed. Do nuclear weapons have a purpose other than as a counter to a would-be nuclear aggressor? Their wider role as preventers of war – one which they can be held to have performed in Europe for over 40 years – is untested and questionable outside the context of the bipolar east-west stand-off. They do not seem to deter Galtieris or Saddams. It is doubtful whether nuclear arms can effectively deter the use of chemical or biological weapons. Would an aggressor really believe he was risking nuclear reprisal? Nor does the existence of nuclear arms stop countries such as North Korea from seeking their own nuclear weapons, or – in the case of Ukraine with the leftover Soviet weaponry on its territory – from holding on to them.

The nuclear priority must now be just that – to stop proliferation. There needs to be a shift in the balance between long-held defence doctrines and the foreign policy objective of widening and strengthening the non-proliferation regime. Existing nuclear forces should be reduced as far as prudently possible, made as safe as possible and kept at lower states of readiness: and transparency should be increased. It is difficult to insist that other countries open themselves to inspection while refusing to be more open about one's own weapons.

Steel aid

THE CRISIS in the European steel industry is coming to a head. Tomorrow the European Union's Council of Ministers meets to decide whether to approve handouts to state-owned steel companies in Italy, Germany and Spain. Today the European Commission is due to agree its line for the meeting.

Both the Commission and governments from liberal states such as the UK, Holland and Denmark should hang tough. State aid is distorting the steel market by giving inefficient government-owned companies an unfair advantage over efficient private-sector groups which are already suffering from a severe recession. Moreover if subsidies are waived through without tight conditions in this case, there is a danger of a knock-on effect in other sectors, such as airlines, with the result that the whole single market programme could be brought into disrepute.

The wrangle over steel subsidies has dragged on for almost a year. Over that period, Mr Karel van Miert, the competition commissioner, has sought to cajole recalcitrant governments into scaling back their hand-outs and closing loss-making mills. So far, he has reached deals with the Spanish and German governments. This has involved compromises on both sides. The Commission has provisionally approved more aid than competition purists would have liked; the governments have had to face the unpopularity of shutting factories.

But Mr Van Miert has been unable to cut a deal with Italy. The government has said it will reduce the capacity of Ilva, its steel group, but not to the equivalent extent agreed with Spain and Germany. Mr Paolo Savona, the country's industry minister, has even threatened to go ahead without Commission approval and fight the issue in the European Court of Justice.

The Commission must not slacken its resolve. Not only could further concessions to Ilva undermine the deals with Germany and Spain. Liberal countries, unhappy that the Commission has already compromised too much, could veto the whole package.

If Italy can be brought into line without further concessions, the liberal states should go along with the restructuring plan. Though far from ideal, it would open the way for private sector steel groups to make matching capacity cuts and so help restore the industry's health. But if more compromises are made or Italy fails to reach agreement, other governments should have no qualms about voting the package down.

Such toughness, of course, could mean there is no deal tomorrow. But no deal would be better than a bad deal. It is also possible that Italy, faced with the prospect of isolation, would draw back from the brink. If it does not, a postponement of the council until next month might be necessary. Thereafter, the Commission might have to use sanctions to resolve the deadlock.

Political line-up: Grigory Yavlinsky, Communist party's Gennady Zyuganov, Yegor Gaidar of Russia's Choice, St Petersburg mayor Anatoly Sobchak and Genady Burbulis of Russia's Choice

ELECTIONS IN RUSSIA

Russia's election campaign is off to a good start with a wide range of political views on offer, says **John Lloyd**

The people need persuading

The Russian election campaign resembles a contest between ardent suitors for the hand of virgin voters. Both sides are new to the game of wooing. The battle is turning into an impressive display of debate and argument, as people size up how far the candidates can fulfill their hopes and calculations.

This does not come naturally. A people long told that only unanimity was acceptable has more than a few tremors about political division, while the discrediting of party politics, common to all post-communist societies, makes candidates defensive about their ambitions and vague about their programmes.

But it is, raucously, under way. Some 13 parties, covering the left-right spectrum much more fully than in more settled democracies, are now registered and their chosen runners and supporters are on the stump. The only notable political absence is that of a hardline nationalist party: Mr Sergei Baburin's Russian National Union was disqualified for non-compliance with the registration requirements (though he wants to be selected as a candidate in his home town of Omsk). But since all the other parties – especially the Communist party of Russia – stress the need for nationalist revival, it cannot be said that the idea itself lacks expression.

Some parts of the written press are lively and varied. Izvestiya, the most prestigious of the post-Soviet papers, is firmly pro-Yeltsin and for the liberal Russia's Choice bloc of Mr Yegor Gaidar; others are as vociferously against. Pravda, back on the news-stands, is solidly anti-Yeltsin and still claims national coverage; papers such as Trud and Selskaya Zhizn, serving union members and farm-workers respectively, are at best sceptical of the authorities; and of the new upmarket papers, Nezavisimaya Gazeta is increasingly sharply critical.

Television, the dominant medium, does not show such diversity of opinion. Mr Vyacheslav Bragin, chairman of the main state channel, Ostankino, is a candidate for Russia's Choice and is wholly a Yeltsin man. Mr Oleg Poptsov of Russian TV, the other main state-owned channel, is less so, but says he is under constant pressure to conform to the government line.

A bulletin on Russian TV last week, chosen as a random example, illustrates the problem. It began with a piece on the new constitution, the text of which had been published that day. The accompanying voice told the story of a document replete with citizens' rights and advantages, while under the commentary, a gentle musical theme swelled. It could have been a commercial.

The danger is only in part an overweening political establishment which has placemen at the top of television. This control rests upon a profession which has insufficient regard for itself as a separate estate. TV still gets little of its support from advertising and most papers (including Pravda) depend on subsidies. Further, the psychology of journalists over 30 was formed in Soviet times, when freedom had a very low ceiling – even the best editors are grateful to a president who has brought them out of servitude. As a result, the themes of the campaign remain insufficiently clarified. Grand statements and allegations surface like spouting whales, then submerge unchallenged.

But the themes, and the personalities around which they are entwined, are clear enough. The party which is the nearest to being the governing party – Russia's Choice – campaigns on a continuation of reforms as essential both for a fight against inflation, now at about 20 per cent a month, and, as Mr Gaidar put it recently, to close the widening gap between rich and poor. Every other party, including those which proclaim themselves as pro-market, argue that it is precisely the policies pursued by Mr Gaidar which create inflation and the gap between rich and poor.

Mr Alexander Vladislavlev, a leader of the group Civic Union for Stability, Fairness and Progress, said that his group – backed by Russia's industrial lobby – stood for "therapy without the shock"; he has not been the first nor the only politician to use the phrase. Mr Grigory Yavlinsky, head of the Yavlinsky-Boldyrev-Lukin group, says that "it is useless to try for tight money policies while property is not widely dispersed and the economy is dominated by monopolies". The Party of Russian Unity and Accord, led by deputy premier Sergei Shakhrai, tempers its support for further market reforms with a promise to develop "an active industrial policy, directed to the support of branches and enterprises able to become the locomotives of economic growth".

Where Yeltsin/Gaidar policies have been blamed for weakening the sinews of the state, all the opposition parties in different ways pledge their commitment to strengthening these again. Some, especially the Civic Union and the Communists, cast more than a glance at the former Soviet Union and pledge an active policy of reforging the links between the republics. Where Yeltsin/Gaidar are seen to have weakened Russian power by an overharsh dose of market reform, the other parties propose a strengthening of the state – consonant, of course, with the widest development of civil rights.

The publication of the constitution, and Mr Yeltsin's ambiguous withdrawal of his promise to stand in elections for president on June 12 next year, are gifts for the opposition. Mr Yavlinsky, himself a declared candidate for the presidency, is particularly scathing about Mr Yeltsin's apparent decision to serve his full term to 1996. The Communist party, ably led by Mr Gennady Zyuganov, has accused Mr Yeltsin of giving himself more powers than "tsars or pharaohs" – a deliberate if breathtakingly impudent attempt to tar Mr Yeltsin with the brush of reaction.

Polls reveal a country confused and as yet far from convinced by anyone. Russia's Choice routinely scores the highest approval rating; but in a recent Moscow poll it received 37 per cent of the vote and the Communist Party 26 per cent. Mr Zyuganov said last week that he aimed to "unite the patriotic forces" – a bid for the supporters of Mr Baburin's banned Russian National Union, many of whom would naturally tend towards the Communists.

Mr Anatoly Sobchak, mayor of St Petersburg and himself a broadly pro-Yeltsin candidate in the Movement for Democratic Reform, said that "the likelihood is for a parliamentary mosaic of parties, none of which dominate, which turns out like the first Polish parliament where they couldn't agree on electing a prime minister".

Mr Genady Burbulis, a founder-candidate of Russia's Choice and a former first deputy premier, sees a similar danger – with the Communists-nationalists making a strong showing. An internal government paper, published by Nezavisimaya Gazeta, produced figures of 30-33 per cent for Russia's Choice, 33-36 per cent for the centrist parties like those of Mr Yavlinsky, Mr Shakhrai, Mr Sobchak and Civic Union; and 15-20 per cent for the hardline opposition, led by the Communists.

There is no doubt that Mr Gaidar faces real opposition. Unable to canvass properly because of his government duties he carries the load of past unpopular policies. Temperamentally unable to put on a populist act, Mr Gaidar and his colleagues have considerable disadvantages to set against their undoubted advantages in the media and among the elite.

If Russia's Choice does well, however, he can claim the premiership; if not, Mr Viktor Chernomyrdin, the present prime minister, a man whose stature has grown in the country, will probably be asked to continue. Shrewdly, he chose to declare himself as merely an honest public servant above all politics and is not standing for election.

Three weeks from Sunday, Russia will make her choice for a free parliament, the first time the country has been able to exercise such a right in more than three-quarters of a century. The political atmosphere is still fragile and tense – it is, after all, only six weeks since tanks were shelling the last parliament. But the signs are good.

Nafta a launch pad for Latin America

PERSONAL VIEW

The world truly has turned upside down. Thirty years ago, Latin American governments were sternly admonished by their Organisation for Economic Co-operation and Development counterparts to open their economies to world trade and let the market work its wonders. The Latin Americans obstinately stayed the course of import substitution, often behind excessively high barriers of protection blended with state interventionism.

Today, the Latin American countries are the ones that are unilaterally following trade liberalisation policies, combined with a greater respect for the "right prices", while many OECD countries indulge in various forms of protectionism and maintain artificial prices for numerous agricultural products.

Thirty years ago, the conventional wisdom was that developing countries could not compete with the superior economies of scale and the technological and organisational capacity of companies in the industrialised world. To penetrate markets in developed economies, those countries demanded non-reciprocal preferential treatment as the only way to diversify exports away from basic commodities (agricultural and mineral): the General System of Preferences was hailed in Latin America as a big breakthrough in the rules that govern the international trading system.

Today, most Latin American countries have joined the General Agreement on Tariffs and Trade, and those that have not are in the process of doing so. Demands for non-reciprocal preferential treatment are no longer in fashion, since unilateral liberalisation has, in fact, imposed on the region's companies the imperative of competing in the world market. Today, rather, we hear voices in highly developed countries claiming that their own companies cannot compete with low-cost labour and standards or permissive environmental rules, or even alleged or real comparative advantages which they attribute to developing countries. Never mind that developed countries lead the way in the comparative advantages that really matter in world trade today – capacity to innovate, to adapt and to organise. The opponents of a more open international trading system seem to fear the comparative advantages that weigh less and less in world trade, primarily the cost of labour.

The agreement is a testing ground for change in perceptions of competitiveness and trade policies

The North American Free Trade Agreement is, among other things, a testing ground for this profound change in north-south perceptions regarding competitiveness and trade policies.

Neither Mexican nor US nor Canadian authorities view the arrangement as a substitute or stumbling block for the international trading system sought in the Uruguay Round, but rather as a complement or a building block. For that reason, the agenda and the procedures of Nafta closely parallel those of the multilateral trade negotiations.

The distance covered by Mexico, from resisting even the suggestion in the early 1980s that it join Gatt to forming part of a free trade zone with the US and Canada in 1993, is nothing short of mind-boggling.

Contrary to what could reasonably be expected, Mexican companies' opposition first to unilateral trade liberalisation and then to joining Nafta has been mild. In contrast, North Americans have been alerted to the "giant sucking sound" of Mexico's comparative advantages drawing productive activities away from their northern neighbours, and important constituencies have been mobilised in opposition to Nafta. Rationality dictates that, while there will be winners and losers on both sides of the border, in the end all parties will be better off, thanks to the improved allocation of resources and enhanced growth promoted by freer trade. Opponents of the agreement score points by focusing only on the losers and on the short term.

What is at stake from the Latin American perspective is enormous. Numerous Latin American countries are standing in the wings, waiting to join what they perceive as an important building block for a more open international trading system. Failure to ratify the treaty would mean not only a missed opportunity for greater prosperity in Canada, the US and Mexico – admittedly, at the cost of short-term disruptions for all concerned – but would also signal an unwillingness on the part of the electorate of the world's most important economic player to move closer to the international trading system envisaged in the original objectives of the Uruguay Round.

That would be a sad day not only for Mexico, and even all of Latin America, but also for the global community of nations.

Gert Rosenthal

The author is executive secretary, United Nations Economic Commission for Latin America and the Caribbean (ECLAC)

OBSERVER

The wrong occasion

■ Imagine the panic. Britain's prime minister, now preaching a return to "basic values", had agreed to unveil a plaque commemorating "the occassion (sic) of the centenary of Battersea Town Hall" last Friday.

At the last moment the spelling mistake was spotted but not in time to order a new plaque. Should the ceremony go ahead without an unveiling?

At the town hall – now inhabited by BAC, a fringe theatre group – it was decided that the show must go on, presumably in the hope that the PM would not notice and the error could be corrected later.

Such spelling slackness might be permissible in a supposedly looney left borough such as Lambeth but surely not in an organisation funded by Wandsworth, the Government's favourite London borough?

Right spirit

■ When staff at Coutts, NatWest's posh private bank, thought they had heard their last ghost story along comes reports that one Mr Angerstein has been sighted flitting through Coutts' branch in the Lloyd's insurance building.

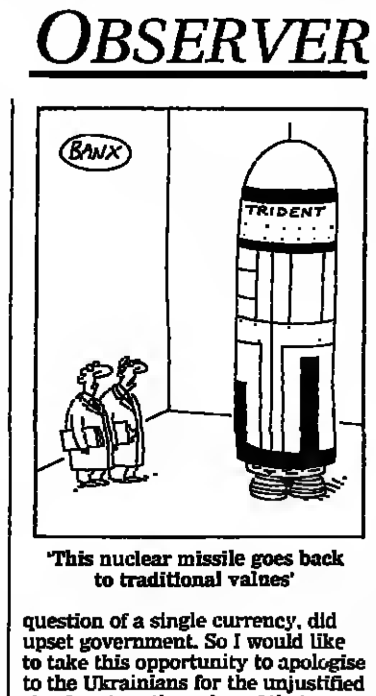
Surely it could not be John Julius Angerstein, the father of Lloyd's and its chairman between 1790 and 1796? But this time Coutts did not need to call in the spook-busters for further inquiries revealed that the gentleman who had been spotted was 31-year-old Joachim Angerstein, the great, great, great, great nephew of John Julius. He works for the Essen branch of Dresdner Bank and is taking part in a regular secondment programme arranged for highflyers from the big German banks.

Which is all jolly convenient for NatWest Markets, whose temerity in christening a new corporate capital vehicle the Angerstein Underwriting Trust had not gone unnoticed.

Talking back

■ Winding up the CBI conference in Harrogate yesterday, director-general Howard Davies was in unrepentant form. In hot water over one or two remarks he let slip last week to the Guardian, especially for saying that if sterling were left out of a single European currency it might end up as worthless as Ukrainian coupons, he acknowledged it was no use blaming the press. "They are mostly feckless, ill-informed and otherwise unemployable people. One or two are parentally challenged. But you know all that before you talk to them, so you get what you deserve."

In this case, he conceded, the newspapers had actually been right. "One of my remarks reported at the end of last week, on the question of a single currency, did upset government. So I would like to take this opportunity to apologise to the Ukrainians for the unjustified slur I cast on the value of their coupons."



'This nuclear missile goes back to traditional values'

Clearing house

■ Is the National Trust of the Cayman Islands, the well-known international tax haven, experiencing an identity crisis?

Its mission – preserving the countryside and historic sites – should be clear enough. But there again, inhabitants of the Caymans are more accustomed to seeing money orders, rather than preservation orders, littering their streets.

Presumably that's why the Trust has taken to declaring "The National Trust is not a bank" in its latest radio advertising campaign.

Chile factor

■ Michael Portillo, chief secretary to the Treasury, may be one of the cabinet's Eurosceptics. But no one can accuse him of being parochial. Take the latest bee in his bonnet, about how Britain can learn a lot from Chile's private sector pension arrangements.

Portillo was in Chile in July and seems to have been mightily impressed by the state's encouragement of private sector pension schemes. Not only have the funds ballooned in value, to more than $12.6bn, but they have taught the Chilean people to take an interest in privatisation and financial markets. Portillo was especially intrigued by the transparency of the operations – the funds publish the value of their portfolios each day – and the low cost of their operations.

However, Chile may not provide all the answers to Portillo's quest to limit the future pension calls on Britain's welfare state. For a start, the funds have yet to start paying out pensions on a significant scale, and Portillo the politician might also have noted that Chile's pension reforms have not done anything for the presidential chances of their ambitious architect – Jose Piñera – currently trailing hopelessly in the opinion polls.

Good taste

■ Just as the world appears to be on the brink of a trend towards conservatism in fashion, Malawi has decided to drop its guard against the ideologically dubious; it has abolished its law banning women from wearing trousers.

Women tourists arriving in Malawi dressed in trousers will, in future, no longer be shown to a cubicle in order to change into skirts. The legal requirement so to do has now been abolished.

Presbyterian Life President Hastings Banda banned women from wearing trousers in the central African state 20 years ago. Baring a female knee in public was illegal, as were, for men, flared trousers and hair touching the collar.

Mind you, the kipper tie is still passé, wherever you go.

Taking stock

■ Strange but true. The stock market in Seoul opened and closed 30 minutes late yesterday. The reason? Companies postponed the rush hour, in order to help college admissions candidates reach examination centres on time.

FINANCIAL TIMES
Wednesday November 17 1993

Move to placate rightwing in wake of concessions

ANC and de Klerk in local power-share deal

By Patti Waldmeir in Johannesburg

THE South African government and the African National Congress last night struck a deal to placate the white right wing, agreeing to guarantee the white minority a substantial share of power in local government.

The deal takes the form of joint proposals from the two sides for incorporation in the new constitution due to be agreed today.

It represents an important victory for the ruling National party, which has made considerable concessions recently over the issues of power sharing in central government and the devolution of power to regions, but held out on the sensitive issue of local government power-sharing.

If the proposals are finalised in the constitution, local government elections will be held within two years and will guarantee whites at least a 30 per cent share of the seats on each council and in some cases a third or more of the council.

The deal is aimed at rural towns in the ultra-conservative Orange Free State and Transvaal, where whites are heavily outnumbered by blacks and fear the merging of white and black local councils will be a serious drain on the budgets of white towns.

Local council budgets will require a two-thirds majority to pass, a figure which under most circumstances will give whites an effective veto in this area.

Tension between black and white is most acute at local government level, because residential areas remain almost totally segregated, and the gap in the level of development between white and black areas remains huge. The white right wing has been effective at mobilising opposition to the new constitution at local level, and negotiators from both sides were clearly keen to defuse this threat.

Councils elected at the first local government polls, which are likely to take place late next year or early in 1995, will remain in office for three years. After that, a new electoral system will be agreed.

Last night Mr Nelson Mandela, ANC leader, and President F.W. de Klerk, were due to meet to approve the whole package of deals on which the new constitution will be based.

They were to try to resolve remaining issues, such as the key question of how power will be shared in cabinet, and the percentage vote required to pass a new constitution in the constituent assembly to be elected on April 27 next year.

Opel cost-saving plan will aim to raise productivity

By David Waller in Frankfurt

ADAM OPEL, the German subsidiary of General Motors, will tomorrow unveil a far-reaching cost-saving plan designed to enhance productivity at the group's German factories.

The agreement, due to be signed by the management and workforce at Opel's Rüsselsheim headquarters tomorrow morning, follows Volkswagen's radical proposal for a four-day week starting at the beginning of next year.

Opel's agreement, which will apply to its 50,000-strong workforce in western Germany, is a response to the same cost and competition pressures faced by its rival. It adopts a different approach, preferring to modify the terms of existing contracts with employees and reduce perks without shortening the working week. As such, it may evolve into a pattern for future settlements in German industry as employers seek ways of reducing costs without further redundancies.

"The purpose of the agreement will be to force through a linkage between productivity and an improvement in cost structures with the payment of benefits to employees," Opel said yesterday.

The company was reluctant to disclose details of the agreement or to quantify the benefits of the proposed savings. But a report in a regional German newspaper suggested yesterday that the agreement contains three central measures:

- Fringe benefits to rise more slowly than basic pay. Fringe benefits account for a substantial proportion of German companies' wage costs and usually increase at the same rate as for the basic income. In future Opel fringe benefits will still rise but at a lower rate.
- The Christmas bonus enjoyed by Opel workers will be paid in two stages, with the second instalment conditional on cost improvements and on a reduction in absenteeism and sickness rates at the company's factories in Rüsselsheim, Bochum and Kaiserslautern.
- Benefits paid to employees who are on short-time working – not working a full week – will be restructured.

In return, Opel is understood to have guaranteed to increase production in German factories and reconsider plans to lay off manufacturing employees. The agreement has been reached after tough negotiations between employees and employers.

Financial watchdog criticises Brussels

Continued from Page 1

bave cost taxpayers np to Ecu50m over the past five years, even though snpply bas often ontstripped demand on the French colony.

- The EU spent Ecu232.7m on subsidising milk and dairy products for schoolchildren, bnt only 11 per cent of the popnlation under 19 benefit.
- The Court criticises "unnecessary and ioappropriate" humanitarian aid to Russia, incloding the dispatch of 20,500 tonnes of rapeseed to Moscow and St Petershurg wheo there was no demand for it.

Specific criticism is levelled at the Commission's declsion to spend Ecu12.5m to promote the idea of the EU as host of the 1992 Olympic Games at Albertville and Barcelona. It also fonnd irregularities in the way the contract had been awarded to an advertising agency involved.

The report says the Commission paid a third of the costs of the opening ceremony at Albertville and a half at Barcelona. But "the idea of dual loyalty on the part of athletes and of using the Community flag when medals were being awarded came to nothing when some of the national Olympic committees refused to participate".

The Commission defended itself yesterday, saying the European flag was included among other national flags and that the "Community message" had been inserted io official programmes of the Olympic committee.

In another case, the Court of Auditors criticises the use of Ecu121m to fund training programmes in Saxony-Anhalt, most of which went to German companies and consultancies there.

One company sent 80 hairdressers to Hanover during an eight-month period and claimed Ecu1.1m, even though three-quarters of the costs were for travel and subsistence.

Had the money beeo paid according to Federal German standards, the cost would have been 30 per cent lower, the report said.

Now that Maastricht has been ratified, the court ranks as a fully fledged EU institution with responsibility for giving assurances on sound financial management in the Union.

German opposition leader warns on job losses

By Quentin Peel in Wiesbaden

MR Rudolf Scharping, just five months in office as leader of Germany's opposition Social Democrats, yesterday challenged his party to seize the political middle ground and prepare itself to become the future German government.

In a keynote speech opening the four-day SPD party conference, Mr Scharping warned that the surge in unemployment was leading to rising crime and growth in support for parties of the extreme right. He called for a party policy focused on job creation through modernisation of the German economy, a fair reform of the welfare state, and "a more intelligent organisation of labour".

He urged delegates to end inner-party strife and to focus on a clear set of practical alternative policies before next year's election.

His message met with a mixed reception from delegates, who are concerned about any hint of diluting the benefits of the welfare state or strictly linking wage increases to productivity.

Instead, they agreed the blame for unemployment – now forecast to top 10 per cent, or more than 4m, in Germany next year – lay not with high wages but other factors: the tough monetary policy of the German Bundesbank, the effective revaluation of the D-Mark, and the failure of both government and industry to promote research and innovation.

Mr Oskar Lafontaine, deputy leader of the party and spokesman on the economy, launched a sharp attack on the Bundesbank for maintaining high interest rates, and thereby driving up the D-Mark. "An exporting nation cannot behave like this with its monetary policy," he said.

Speakers from the floor claimed that more jobs had been lost in German industry as a result of the devaluation of sterling and the Italian lira than by any trade union wage deals. There was also widespread support for calls to reduce working hours to tackle unemployment.

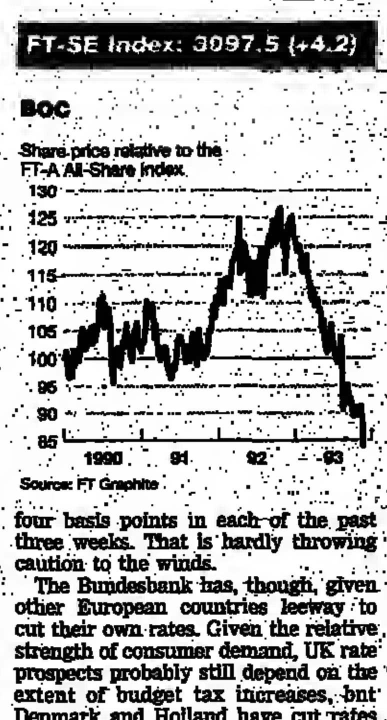
Even before the conference began in the spa town of Wiesbaden, the main resolution on economic policy had been amended to drop any suggestion that wages in east Germany must be linked to productivity to protect jobs.

Mr Scharping insisted it was not wages that were too high but the extra costs of labour, such as pensions' and unemployment insurance. He wants part of those costs shifted to direct taxation, above all to pay for the emergency labour market programmes of job creation and retraining in east Germany.

He supported calls for shorter working hours, but warned that workers must accept wage cuts for less work.

THE LEX COLUMN

BOC under pressure



BOC has become a victim of its own largesse. Its policy of announcing dividends in advance seemed sensible during the 1980s, but low growth and low inflation have caught the company on the hop. The pay-out has been rising faster than trading performance justified. While that helped the shares outperform through recession, the price was paid yesterday. An unexpected break in BOC's 20-year record of dividend growth – the company said next year's dividend will be unchanged – prompted another 5 per cent fall in its already sickly shares. Perhaps announcing dividends in advance is not such a good policy for the uncertain 1990s.

Yet dividend cover of 1.9 times should not cause boardroom headaches at the bottom of a normal cycle. The dividend decision thus adds a further note of caution to the profits warning of the summer. Despite its reputation as an industrial bellwether, BOC has problems entirely its own. The collapse of Forane, its main anaesthetic, has been severe since US patent protection expired. Delays in introducing Suprane, the next generation anaesthetic, have added to the pain. BOC is understandably worried that more generic competitors could enter the fray. The big prize remains an upturn in industrial gases, which account for 70 per cent of sales. But gases do not rise early in the economic cycle. Other than slightly higher volumes in the US, the outlook remains unclear. While BOC's prodigious cash generation should limit the downside, it is difficult to discern the upside through the fog.

Germany

After such a gloomy report from Germany's five wise men, it is natural to look for signs that the Bundesbank is taking more account of the domestic economy when setting interest rates. In marking the D-Mark down yesterday, the exchange market thought it had found one in the nine basis-point cut in the central bank's money market repurchase rate. It may be jumping to conclusions.

Mr Hans Tietmeyer has been fortunate in that inflation pressures have lessened somewhat since he assumed the presidency and money supply growth is within reach of this year's target. But that does not necessarily mean that he is a softer touch than his predecessor or that inflation is no longer the bank's chief concern. On average, the repurchase rate has fallen just four basis points in each of the past three weeks. That is hardly throwing caution to the winds.

The Bundesbank has, though, given other European countries leeway to cut their own rates. Given the relative strength of consumer demand, UK rate prospects probably still depend on the extent of budget tax increases, but Denmark and Holland have cut rates this week. France may follow soon. The question is whether the D-Mark recovers once other rates have adjusted. A weakening currency would give the Bundesbank little incentive to lead the way.

De La Rue

De La Rue's impressive cash generation is not confined to the money spinning from its printing presses. Circumstances have conspired to make the last half particularly favourable. Yet the underlying rate of cash inflow is such that the decision to tap shareholders for £160m two years ago looks even odder now than it did at the time. The acquisitions which were to follow inter innovation have yet to materialise, and idle talk of share buy-backs only emphasises the embarrassment of riches which the company's £200m cash pile has become. Still, the management's impressive track record deserves some patience and negotiations to buy privately owned businesses can be protracted. It would make little sense to return money to shareholders now, only to ask for it back in two years' time.

There are two obvious areas for expansion. Privatisation of banknote production in Europe could bring in useful extra revenue. Given the lukewarm attitude of the Treasury and the Bank of England to market-testing their own services, however, progress may well be slow. In any event, with banknote production only growing slowly, such contracts would not solve the problem. Currency-handling machinery is the longer term hope. Expansion there will depend on how long it will be before the banks get fed up with paying clerks large amounts to count money.

BAA

BAA has not quite perfected the art of the free lunch but the ability to touch 80m captive airline passengers for a few quid each year and a lax pricing regime for airport charges represents the next best thing. Though regulated, BAA's return on capital must make many a utility company director's eyes water. Yet the official price cap on BAA will ease further over the next three years before a new regime is negotiated for 1997. BAA will doubtless continue to plead for leniency given the need to spend some £1bn on Heathrow's fifth terminal.

But even if the regulator grows aggressive, BAA could still emerge smiling, since lower fees would only enhance Heathrow's appeal as an international hub. Regulated activities also represent an ever diminishing proportion of revenue, as the company continues its thrust into retailing. By 2000, airport charges may account for as little as 20 per cent of income.

With UK passenger traffic growing by 4 per cent a year and expansion opportunities emerging at overseas airports, BAA will remain one of the few genuine growth stocks in the FT-SE 100 index. But regarded as a utility BAA also has defensive appeal, which not even its curious pretensions to develop factory outlet retailing malls can damage significantly.

General Accident

General Accident should know better than to deliver results in line with market expectations. Sun Alliance fell 5 per cent in September after decent interim results. Respectable third-quarter results from GA – a £10m flood loss in Canada aside – prompted similar treatment. Having outperformed the sector by 10 per cent over the past six months, and run up to a 30 per cent premium to net assets, GA was heading for a fall. Such volatility is the mark of a sector which has all the good news in the price.

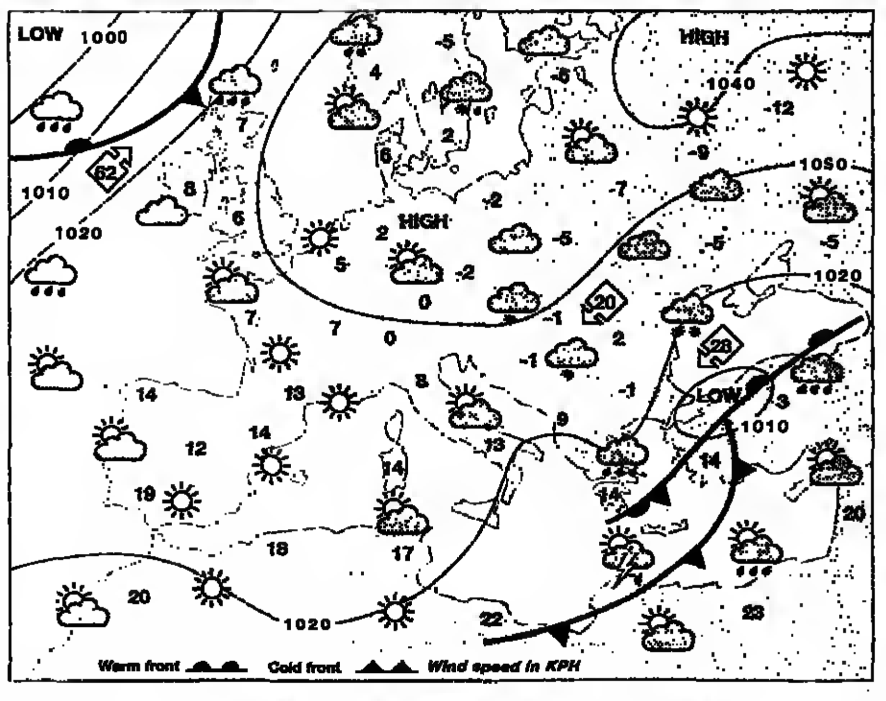
FT WORLD WEATHER

Europe today

More very cold air will be drawn from tha CIS causing wintry conditions throughout north-eastern Europe. Freezing will reach as far west as central Germany. Snow showers and cloud will prevail in the cold air mass, especially in Scandinavia and south-eastern Europe. Snow depths will reach 30 centimetres in parts of Hungary and former Yugoslavia. Very unsettled and unseasonably cool conditions will remain in tha eastern Mediterranean. Snow will fall in Turkey, the Ukraine and Romania. Greece and Italy will have improving conditions with isolated thunder showers interspersed with sunny spells. Spain, France and the Alps will be dry and sunny with the highest temperatures near 18C in southern Spain. Weak disturbances will keep the British Isles mainly overcast and dry except for rain or drizzle on the Atlantic coast.

Five-day forecast

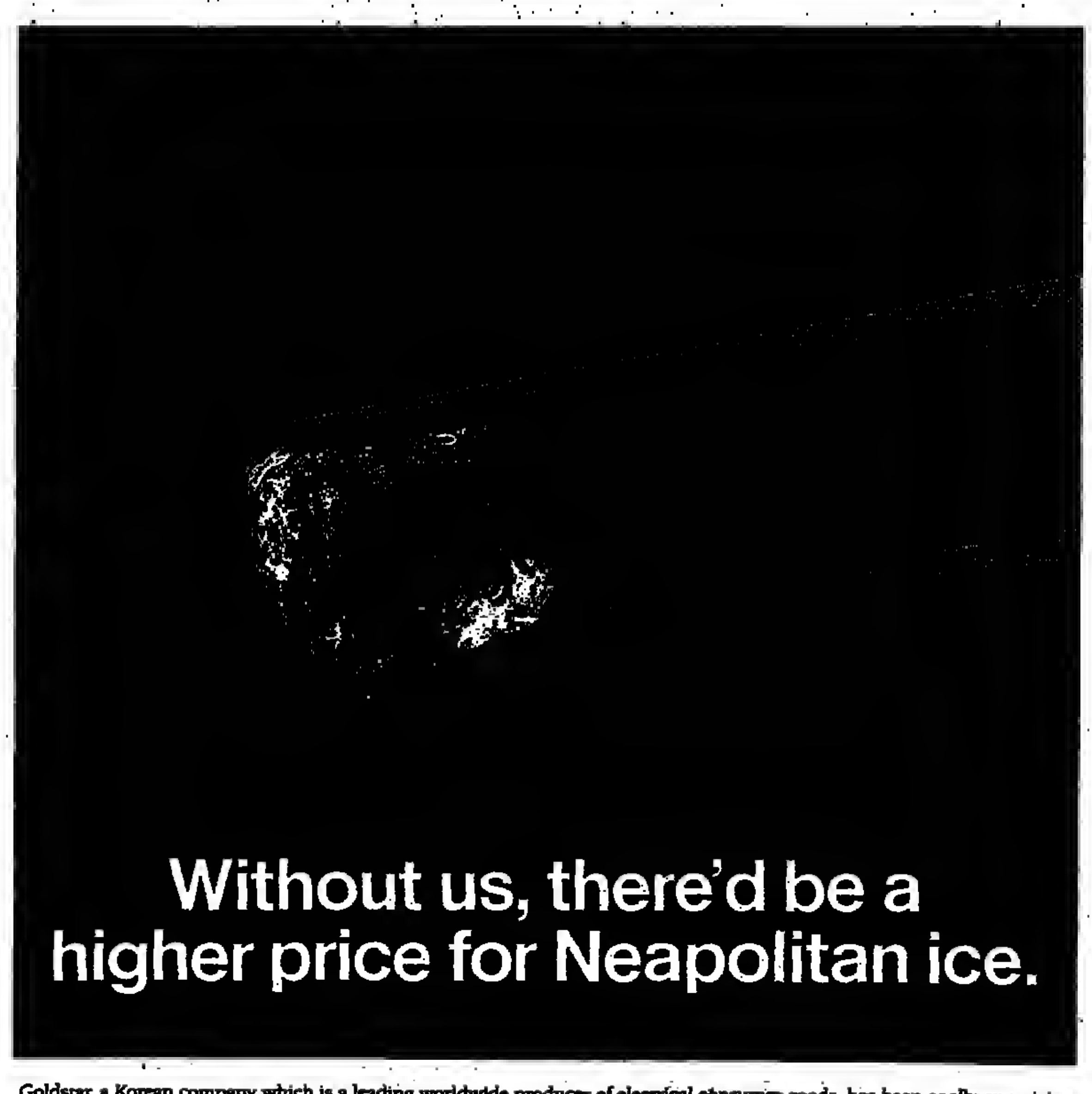
Wintry conditions will settle in northern and eastern regions giving daytime temperatures below freezing as far west as tha Benelux. Sevore frost will occur from Germany to Romania. An upper air disturbance will bring snow to central and northern Europe. The south-east will remain cool and unsettled.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

Maximum Celsius																	
			Belfast	fair	7	Cardiff	fair	5	Frankfurt	fair	3	Malta	thund	18	Rio	rain	26
			Belgrade	snow	-1	Chicago	sun	11	Geneva	fair	2	Manchester	fair	5	Riyadh	fair	20
Abu Dhabi	fair	27	Berlin	fair	2	Cologne	cloudy	5	Gibraltar	sun	18	Manila	cloudy	31	Rome	fair	14
Accra	fair	32	Bermuda	fair	26	D' Salaam	fair	29	Glasgow	shower	5	Melbourne	fair	24	S. Frsco	shower	15
Algiers	fair	18	Bogota	fair	19	Dakar	sun	25	Hamburg	fair	3	Mexico City	fair	23	Seoul	cloudy	13
Amsterdam	fair	4	Bombay	fair	33	Dallas	fair	17	Helsinki	fair	-3	Miami	fair	30	Singapore	shower	27
Athens	shower	15	Brussels	fair	5	Delhi	cloudy	29	Hong Kong	shower	25	Milan	sun	8	Stockholm	cloudy	1
B. Aires	shower	20	Budapest	snow	-1	Dubai	fair	27	Honolulu	fair	30	Montreal	fair	8	Strasbourg	fair	4
B.ham	fair	4	C.hagen	fair	5	Dublin	cloudy	8	Istanbul	rain	5	Moscow	fair	-10	Sydney	fair	24
Bangkok	fair	34	Cairo	fair	23	Dubrovnik	cloudy	12	Jersey	fair	7	Munich	cloudy	0	Tangier	sun	20
Barcelona	sun	15	Cape Town	sun	28	Edinburgh	fair	5	Karachi	rain	25	Nairobi	fair	27	Tel Aviv	fair	22
Beijing	fair	1	Caracas	cloudy	29	Faro	sun	19	Kuwait	fair	17	Naples	cloudy	13	Tokyo	fair	17
									L. Angeles	cloudy	22	Nassau	fair	31	Toronto	fair	9
									Las Palmas	cloudy	23	New York	cloudy	16	Tunis	fair	17
									Lima	cloudy	22	Nice	sun	13	Vancouver	shower	8
									Lisbon	fair	17	Nicosia	rain	13	Venice	fair	8
									London	fair	7	Oslo	cloudy	3	Vienna	cloudy	-1
									Lux.bourg	fair	5	Paris	sun	7	Warsaw	cloudy	-4
									Lyon	sun	6	Perth	fair	18	Washington	cloudy	19
									Madeira	cloudy	20	Prague	cloudy	-1	Wellington	fair	15
									Madrid	sun	13	Rangoon	shower	31	Winnipeg	snow	-5
									Majorca	sun	17	Reykjavik	rain	4	Zurich	fair	1



FINANCIAL TIMES

COMPANIES & MARKETS

Wednesday November 17 1993

INSIDE

SCA rebounds out of the red

SCA, Sweden's second largest pulp and paper group, rebounded to a SKr788m ($97.2m) profit after financial items in the first nine months from a SKr6m loss in the same 1992 period. Page 18

BAA ahead 9% midway
BAA, the privatised British Airports Authority, reported an 8.7 per cent rise in first-half pre-tax profits to £237m ($353m), from £218m last time. Page 18

BOC disappoints
BOC, the UK industrial gases and healthcare group, disappointed investors by not increasing its dividend for 1993-94. Page 18

Baxter to restructure
Baxter International, the troubled US medical supplies group, announced a broad-ranging restructuring. Page 20

ANZ helped by smaller provisions
Australia and New Zealand Banking Group made A$246.5m (US$161m) after tax and abnormal items for the year to end-September, against a loss of A$579m. Abnormal items were A$213.2m, compared with A$0.9m. Page 21

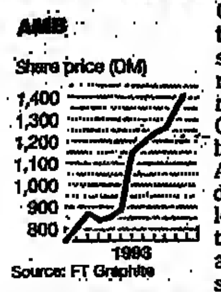
One-way bet on China
Champion Technology can do no wrong. Founded in 1987 and taken public in August last year, Champion has so far been a one-way bet on China's future. Page 22

GA in the black General Accident, the Perth-based composite insurance company, reported pre-tax profits of £206.1m ($307m) for the first nine months of 1993, against a £35m loss last time, but the shares fell. Page 24

FKI up 41%
Improved performances from all five divisions helped FKI, the UK electrical engineering group, to a 41 per cent interim rise. Page 25

Bitter harvest
Ms Benazir Bhutto, the Pakistan Prime Minister, is reviewing recent proposals to tax the farmers. The decision would not only affect the rich and wealthy, but could also affect the poorest landowners, forcing them to move to the cities. Page 28

AMB in the eye of the storm



Source: FT Graphite

One of the curiosities of the sharply rising German stock market in recent months has been the performance of shares in AMB, Germany's second biggest insurance group. This year AMB's shares have nearly doubled. The rise has a lot to do with the fact that the insurer has become a "special situation". In short, AMB is at the centre of an unresolved takeover battle. Back Page

PowerGen buys exploration blocks
PowerGen, the UK electricity generator, made its first move into oil and gas production. Page 26

Market Statistics

Base lending rates	40	London share service	33-35
Benchmark Govt bonds	23	Liffe equity options	23
FT-A indices	33	London tradit. options	23
FT-A world indices	Back Page	Managed fund service	36-40
FT fixed interest indices	23	Money markets	40
FT/ISMA int bond svc	23	New int. bond issues	23
Financial futures	40	World commodity prices	28
Foreign exchanges	40	World stock mkt indices	41
London recent issues	23	UK dividends announced	24

Companies in this issue

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
Asko Prf	920	+	35
Didier-Werke	150.5	+	5.5
Goldschmidt	640	+	15
Kaufhof	551	+	15.5
Linde	841	+	16.5
Porsche	755	+	15
NEW YORK ($)			
Rises			
Apple Comp	33	+	1¾
Bill A	52⅝	+	1¾
Gen Motors	29⅝	+	1¾
Tiffany	50⅝	+	1
Falls			
Caterpillar	86⅞	-	3
Intel	59	-	1
PARIS (FFr)			
Rises			
BIP	299	+	11.9
Lafarge Coppee	439.9	+	8.9
Promodes	1200	+	64
Vallourec	211	+	7.7
Falls			
Lyonn Eaux Dumz	526	-	13
Oraan	165.5	-	4.4
TOKYO (Yen)			
Rises			
Janome Sewing	300	+	19
[illegible]	1030	+	42
Nippon Soda	480	+	19
Falls			
Daikyo	846	-	124
Daishowa Paper	1150	-	330
Hiroshima Bank	691	-	66

New York prices at 12:30.

LONDON (Pence)			
Rises			
[illegible]	318	+	13
[illegible]	321	+	20
Bluebird Toys	570	+	20
[illegible]	78	+	5
Charles Sidney	167	+	8
[illegible]	75	+	5
[illegible]	442	+	13
MAT Computing	153	+	7
[illegible]	113	+	5
Rolls-Royce	166	+	5
[illegible]	100	+	8
VTR	96	+	14
Falls			
Avesco	122	-	5
BOC	586	-	30
CI Group	14	-	7
[illegible]	26	-	6
David Lloyd	161	-	7
Drew Scien	61	-	10
Gen Accident	586	-	23
[illegible]	157	-	6
Monarch Res	173	-	12
Tiphook	58	-	40

Honda falls 60% and cuts full-year forecast

By Michiyo Nakamoto in Tokyo

DESPITE a buoyant market for motorcycles in Asia, Honda Motor suffered a decline of about 60 per cent in pre-tax profits for the first half of 1993.

Honda said that depressed demand in Japan and Europe, a slower than expected recovery in its US business and the adverse impact of a high yen had all contributed to the deterioration in performance.

Parent company pre-tax profits fell 62 per cent to Y11.7bn ($105m), from Y29.2bn, on sales down 6 per cent to Y1,256bn. On a consolidated basis, pre-tax profits dropped 60 per cent to Y22.5bn, while sales were 12.6 per cent down at Y1,874bn.

The outlook remains grim and Honda has revised down its forecasts for the full year. Consolidated sales are now expected to total Y3,744bn rather than the Y4,000bn forecast in May.

Net profits are expected to come to Y17.3bn compared with an earlier estimate of Y23bn.

While the weakness of the economy was an important factor behind the downturn in sales of motorcycles and cars, Honda also suffered from a poor product mix. Earlier in the year its high-selling Accord met consumer resistance before an autumn model change.

Honda was also late to introduce a line-up of recreational vehicles in Japan and was so unable to capitalise fully on the boom in this market.

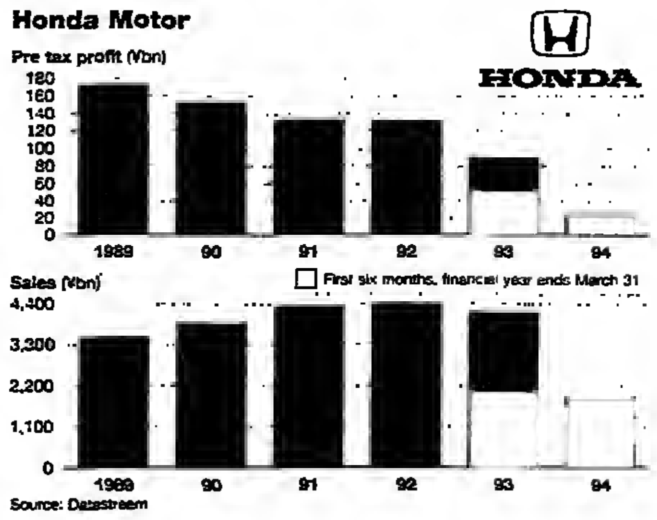
In the US, Honda's largest car market, the group was hit by the sharp rise of the yen. Unit sales were 6 per cent lower than in the same period last year because of greater competition from the Big Three US carmakers and the slow pace of recovery.

The half-year performance was helped by strong demand for motorcycles in Asia, including China, where Honda expects to increase local production of motorcycles from 350,000 units in 1992 to 580,000 this year.

Production of motorcycles in Asia (excluding Japan) is expected to total 2.73m units this year, or 44 per cent of Honda's worldwide motorcycle production.

In the Asean countries, exports of cars rose 35 per cent between January and October.

To deal with the continuing difficult business environment, Honda is limiting capital expenditure to Y145bn, compared with a projected Y180bn, cutting development costs and keeping a tight lid on recruitment.



Source: Datastream

France tries to reassure Volvo shareholders


French minister Gérard Longuet (left) met Sören Gyll of Volvo

By John Ridding in Paris

MR GERARD LONGUET, the French industry minister, yesterday held talks with Mr Sören Gyll, Volvo's chief executive, on how to reassure Volvo shareholders who are opposed to the planned merger between Renault and the Swedish motor group.

Opposition from Volvo's shareholders, which has centred on the lack of a clear timetable for the privatisation of the merged group and the French government's plan to retain a golden share in the company, threatens the merger of the two groups' truck and car activities.

Earlier this month, Volvo postponed until December 7 a shareholder vote on the link-up.

Mr Gyll, who admitted last week that Volvo's shareholders wera "completely sgainst the deal", explained the concerns of Swedish investors but did not ask for a renegotiation of the deal, according to French officials.

The French government continues to resist changes to the merger agreement and insists that shareholder opposition can be overcome by clearer explanation of the controversial points and emphasis on the industrial logic of the deal.

Volvo shareholders are opposed to the golden share because it could be used to reduce their voting rights from 35 per cent to 20 per cent in the case of the dissolution of the merged group's holding company.

But Mr Longuet stressed that the proposed golden share would never be used against Volvo and was necessary to defend the merged group from a hostile takeover.

Industry observers said, however, that verbal reassurances on the golden share and on the French government's plans to privatise the merged company next year were unlikely to satisfy Swedish shareholders.

They speculated that opposition to the deal could be fuelled by the two groups' results for the first nine months of the year which are due to be released tomorrow.

Volvo is expected to show an improvement over the losses incurred in 1992, while Renault is expected to announce a steep downturn in profits for the period.

● Renault will launch its new Laguna upper mid-range passenger car in January next year. The Laguna, a five-door saloon, will replace the Renault 2f, the company said.

Stet enters final round of bidding for Matav

By Nicholas Denton in Budapest

Italian state telecoms group joins Bell Atlantic to bid against German, French and Spanish operators

STET, the Italian state telecom company, has emerged as an unexpected, last-minute contender in the bidding for a 30 per cent stake in Matav, tha Hungarian state telecommunications group.

Stet International has teamed up with Bell Atlantic, the US regional telephone company. Their consortium was one of four short-listed yesterday by tha Budapest authorities to go through to a final round of bids for Matav in two weeks' time.

Matav is eastern Europe's largest privatisation to date. The Italian-led group is up against three consortia led by Deutsche Telekom, France Telecom and Telefonica, respectively the German, French and Spanish national operators.

Preliminary indicative bids for the 30 per cent stake in Matav which the government is selling are understood to be in the region of $500m. Rivals believe Stet's offer is towards the higher end of the bidding range.

However, Mr Szabolcs Szekeres, chief executive of the AVRT state holding company which controls Matav, yesterday moved to dampen expectations that the price would go up in the next round of bidding. "We don't expect that it will go up," he said.

Privatisation advisers stressed that the four preliminary bids were not wholly comparable. Nor was a ranking in the first round a reliable guide to the final outcome.

One of the rivals admitted that Stet appeared to have established a benchmark on price. The Italian company had undermined the assumption that Matav's privatisation was s straight fight between Deutsche Telekom and France Telecom.

Hungary's political and economic ties with Germany are believed to be working to the advantsge of Telekom which has attracted Cable & Wireless of the UK and Ameritech of the US as consortium partners.

Telekom was the first company to bid, and it was followed by France Telecom, which has supplied Matav with payphones. Stet initially entered into negotiations with France Telecom but the parties failed to agree on control of a common consortium and Stet decided to lead a bid of its own.

The schedule for the next stage of the Matav privatisation calls on NM Rothschild, adviser to the government, to prepare by November 22 final documents which will clarify the degree of management control to be exercised by the winning consortium.

World stock markets, Back Page

Tiphook dives on disposal fears

By Andrew Bolger in London

SHARES in Tiphook, the container leasing and transport rental group, plunged 40p to 58p yesterday as fears grew that a disposal of assets by bankers will leave little or nothing for ordinary shareholders.

Tiphook said on Monday that its bankers were in talks about the possible sale of its container division, the largest part of the group.

A US bonds analyst said: "It looks like the banks are giving up and going for an orderly disposal of the group's assets. Shareholders will be completely wiped out. It's a very sad story."

A UK transport analyst said: "Bondholders are particularly afraid that that they will be left holding a baby they don't really want – the trailers business."

Analysts suggested Tipbook's fleet of 495,608 containers might fetch $800 ($1.2bn) each, producing roughly £400m. Tipbook has 17 per cent of the world's container rental fleet, second only to Genstar, a division of the General Electric Corporation of the US. Tipbook's 25,065 truck trailers, the biggest fleet in Europe, are more difficult to value, but could fetch more than £250m.

Tipbook's debts exceed £1bn. Disposals proceeds would be more than enough to pay off the total secured debt of £480m owed to the group's banks, led by National Westminster and Commerzbank of Germany.

However, unsecured US bondholders, who have lent Tiphook $700m in the past year, might only receive 45 to 60 cents in the dollar. The US bonds were yesterday trading at more than a 30 per cent discount to face value.

Bond market experts said Tiphook was likely to be deluged by litigation from bondholders, claiming to have been misled by over-confident assertions about the company's prospects. Tiphook's debt was downgraded to so-called junk-bond status within months of issue.

Tiphook said on Monday that the group and some directors were the subject of four shareholder class actions in the US, which they would defend.

Analysts were concerned at the short-term nature of the £32.3m which Tiphook has been granted by its principal banks. One said: "It looks as though they are just drip-feeding it with enough cash to allow a disposal of the assets."

Tiphook's market value has collapsed from £636m in 1991 to £64m at last night's close.

Barry Riley

Italy adds another dimension to debt

Tha prolonged bull market in International bonds has generated many curious phenomena, not the least of them being yesterday's 2 trillion lire ($1.2bn) issue of 30-year Italian government bonds.

Any rudimentary credit-scoring test of Italy would give poor results indeed. Existing commitments? Mora than 100 per cent of GDP – *fail*. Budget shortfall? Almost 10 per cent of GDP – *fail*. Stability of domestic arrangements? Only recently changed prime minister, tricky election coming up next spring, serious medium-term risk of national break-up – *fail*.

Perhaps somebody, somewhere, believes that the Italian government, or its several successors, will repay the loan in the year 2023 with money that will then buy more than a cup of espresso coffee. Most do not, but then they do not seriously expect to be holding the bonds in 2023, only during the next few months.

The point about ultra-long bonds is that they are volatile instruments which offer new opportunities to players in the financial markets.

In a bull market investors have made money and have built the confidence to step up their level of risk. Given that the average length of the Italian government's debt is about three years, 30-year bonds introduce a new dimension for sophisticated speculators.

Italian bonds have enjoyed a spectacular run. A year ago the 10-year government bond yield hit nearly 14 per cent, now it is down to 9.4 per cent. The total return so far in 1993 has been close to 30 per cent. Politically and economically the country has come back from the brink (but is still viewed suspiciously by the credit rating agencies).

The short average maturity of the massive $1,000bn debt would normally be regarded as a disadvantage, but with interest rates tumbling it has actually proved a blessing in disguise.

Through refinancing, the cost of servicing the debt is coming down fast, so that although the primary budget deficit is worsening, the overall deficit (including the enormous, but declining, amounts of debt interest) is improving.

Any rudimentary credit-scoring test of Italy would give poor results indeed

Why, therefore, start to lengthen the debt now? Logically because the scope for further falls in interest rates is seen as slight. Certainly, rates are low by past standards: curiously, Italy's 10-year bond yields have tumbled lower outside the European exchange rate mechanism than they were while the country was supposedly converging towards German-style inflation rates.

Temporarily, inflation at 4 per cent is no higher than in Germany, but inflation as low as this makes the decision to issue 30-year debt at 9.87 per cent look very strange. The implied real interest rate is well over 5 per cent (albeit reduced for foreign investors who pay a 12½ per cent withholding tax) and an overborrowed nation cannot travel down such a financial path for long: if the real interest rate is greater than the economic growth rate, arithmetic dictates that the burden of debt will go on increasing.

Governments that truly believe in low inflation will never issue long-dated fixed interest bonds with high coupons. The British government has been more logical in this respect, having been reluctant to issue gilts in recent months with longer than a 15-year maturity. Inflation-linked bonds would be a more logical alternative for the Italians, but only if they could be issued on real yields of between 2 and 3 per cent.

Of course, in the context of the formidable total of Italian government debt a mere $1.2bn (little more than a thousandth of the total) does not count for much: a billion here and a billion there does not, after all, add up to real money. Perhaps we should regard it as a marker or a status symbol, or just a minor instrument for the global bond desks to play with.

The 30-year bond therefore looks like a diversion. Surely the real question is how the Italian national debt will eventually be restructured; the country's creditors should bear in mind the uncomfortable thought that by ceasing to pay interest the Italians would put their budget more or less back into balance (something that is far from true for the UK, for instance).

We can be sure that there will be action long before 2023.

INTERNATIONAL COMPANIES AND FINANCE

SCA tones down forecast despite strong third term

By Christopher Brown-Humes in Stockholm

SCA, Sweden's second largest pulp and paper group, rebounded to a SKr788m ($97.2m) profit after financial items in the first nine months from a SKr5m loss in the same 1992 period.

However, it warned that market conditions had worsened during the autumn, and said full-year profits would now be at the bottom of the SKr1.1bn to SKr1.3bn range it forecast in August.

"The market trend this autumn has been substantially weaker than expected, with continued price declines for corrugated board and testliner, as well as pulp and fine papers," it stated. It stressed there was "great uncertainty" about the timing of any recovery.

The group, which has just raised SKr1.4bn from a rights issue, said third-quarter profit amounted to SKr238m. This compares with a SKr99m loss in the same 1992 period but is lower than profits of SKr271m and SKr279m in the first two quarters of 1993.

SCA has relied on cost-cutting, the weaker Swedish krona, lower raw material costs and volume growth within its Mölnlycke hygiene division to offset increasingly fierce competition in many of its main markets.

Mölnlycke has helped SCA weather the pulp and paper recession better than many of its competitors. It increased its sales to SKr11.2bn from SKr9.2bn over tha nine months, helping to lift group sales by 8 per cent to SKr25.4bn.

The hygiene unit accounted for more than half of group operating profits of SKr1.53bn with a 28 per cent increase to SKr822m.

A bigger marketing effort and new product launches have helped it to hold prices and lift market share, in spite of intense competition.

Graphic paper swung to a SKr76m operating profit from a SKr292m loss as sales grew 9 per cent to SKr4.15bn. The unit's Swedish pulp mill remained in the red.

BAA gains 8.7% on strong retailing

By Paul Betts, Aerospace Correspondent

RETAILING has become the largest single source of income for BAA, the privatised British Airports Authority, which yesterday reported an 8.7 per cent rise in first-half pre-tax profits to £237m ($353m), from £218m last year.

Apart from a 10 per cent increase in retail income, the higher earnings reflected healthy growth in air travel, especially in the UK, and the company's continuing drive to control costs.

Sir John Egan, chief executive, said the company was expanding its international airport activities in the US, Europe and Asia through consultancy contracts, joint ventures and equity stakes in other airport operations.

However, with a 70 per cent share of the UK airport business, BAA was not interested in investing in new British ventures following the government's proposals to privatise local authority airports, Sir John emphasised. Instead, BAA wanted to concentrate on international expansion.

Sir John confirmed BAA was interested in proposals to privatise Rome's Fumicino airport, adding that the company had been approached by international airport authorities involving 20-30 airports to discuss co-operation and partnership ventures. "Many foreign governments are interested in bringing private capital in their airports systems and they are looking at our successful example," he said.

Sir John has been the main architect of BAA's drive into retailing which accounted for £250m of the company's first-half revenues of £627m.

The contribution from retailing was higher than the £244m income earned from aircraft landing charges. In spite of a 4.6 per cent increase in passenger numbers, income from aircraft landing charges fell 0.7 per cent because of the regulatory pricing formula. Group revenues were 16.5 per cent np on the first half last year.

London SE, Page 33; Lex, Page 16

BOC leaves payout unchanged

By Paul Abrahams in London

BOC, the industrial gases and healthcare group, yesterday disappointed the City by not increasing its dividend for 1993-94. The company announces its dividend in advance.

BOC shares fell 30p to 596p on heavy turnover.

Mr Patrick Rich, chairman, said: "We've paid a handsome dividend during recession. We don't know what the future holds in terms of inflation and industrial growth, so the board decided to wait a moment before dividend growth was resumed."

He said improvement in the world's industrial gases industry "will lag a more general economic revival. The outlook for business investment looks sluggish in leading markets".

BOC reported a 56 per cent rise in pre-tax profits, to £237m ($503m) from £215m, for the year to September 30. But this was flattered by the absence of exceptional charges - goodwill write-offs on disposals amounted to £117.1m in the previous year. Turnover increased by 13 per cent to £3.23bn, against £2.86bn, while operating profits rose from £412m to £420m.

The results benefited from currency movements, in particular the strength of the US dollar. The changes added 10 per cent to turnover and 6 per cent to operating profit.

Mr Rich said the economic environment had been much harsher than expected. The *facts of recession had been different from the impression of recovery.* The UK recovery had been patchy. Led by retail sales, the upturn had not reached the industrial sector. Engineering output was down 12 per cent to 15 per cent since 1990, and steel was down 13 per cent. The US was recovering slowly with some acceleration since the end of the financial year. Japan was drifting, Germany static, Australia deteriorating and South Africa unsettled by political changes.

The gases division increased turnover by 16 per cent to £2.29bn, while operating profits rose 5 per cent to £304m. Sales of liquefied gases grew in most markets, but demand for compressed gases for cutting and welding remained sluggish.

Repsol rises 27% to Pta112.6bn

By Tom Burns in Madrid

REPSOL, the Spanish energy and chemicals group, yesterday reported a 27.5 per cent rise in operating profits to Pta112.6bn ($834m) for the first nine months of 1993. Net income in the third quarter improved 8.2 per cent to Pta59.7bn.

The chemical division finally returned to profit in the third quarter, although its results over the nine months show a loss of Pta3.7bn.

The gas side, which now owns 45 per cent of the national domestic gas distributor, raised its third-quarter profits by 63 per cent to Pta27bn following higher volume and reflecting Repsol's increased equity in the distribution company.

Repsol has invested Pta135bn so far this year - Pta70bn on building petrol stations and on refining activities. A further Pta40bn has been allocated to gas distribution and to finance the increased shareholding in Gas Natural.

Repsol is finalising the purchase of Enagas, Spain's monopoly industrial gas supplier. The deal will create one of Europe's biggest natural gas companies.

Ericsson retains its Swedish style

But the group's background has drawbacks. **Hugh Carnegy** reports

Ericsson, the telecommunications company, provides a reassuring picture for Swedes worried by a swelling tide of foreign influence over the country's industrial bastions.

Against examples such as the proposed merger of Volvo's cars and trucks with France's Renault, and the takeover of Nobel Industries by Akzo of the Netherlands, Ericsson stands out as a company that has flourished in a highly competitive industry and which remains firmly under Swedish control.

Tomorrow Ericsson, a dominant force in world mobile telecommunications, will announce nine-month results expected to show it well on the way to its target of full-year profits of at least double last year's SKr1.3bn ($160m).

In revenue terms, it ranks sixth among the world's telecommunications equipment suppliers, after Alcatel of France, Siemens of Germany, AT&T and Motorola of the US and Canada's Northern Telecom.

Ericsson has seen its share price more than double this year, closing yesterday at SKr406. Along with Astra, the pharmaceuticals group, it has been a driving force in this year's bull market on the Stockholm stock exchange.

True, 44 per cent of the company's capital is owned by foreign investors. But its preferential share structure ensures that the joint control of the powerful Wallenberg family and Svenska Handelsbanken is unshaken.

Yet Mr Lars Ramqvist, the chief executive, is less than euphoric about the company's prospects in a business undergoing regulatory and technological changes.

"Nothing is for free. I am very pleased with what we have achieved, but I am also realistic. No-one is safe in this business," Mr Ramqvist said.

His worries are multiple. A big concern is that Ericsson can continua to grow fast enough to support the large commitments to research and development required to keep up in the fast-changing telecommunications world. Tha group spends 22 per cent of its $7bn annual turnover on R&D – compared to the 11 per cent spent by Alcatel, which has twice Ericsson's turnover.

Even with that level of investment, Ericsson must stay on its toes to hold its place in the face of developments such as the push to establish communications super-highways and the emergence of network operator powerhouses such as the $30bn merger in the US between Atlantic Bell and TCI, the cable operator.

Ericsson must contend with newcomers to the equipment supply business, such as computer companies which can challenge suppliers in areas such as systems management.

Lars Ramqvist: 'No-one is safe in this business'

On top of these challenges, Mr Ramqvist is concerned that Ericsson suffers from its Swedish background.

It lacks the large home market enjoyed by its main rivals. It swallows about 60 per cent of Sweden's export credits, but still has access to only a fraction of the support available to competitors. Sweden cannot muster the political clout of the US or France, a factor that can be important in winning hig state contracts around the world.

However, Ericsson has carved out an impressive position in the fast-growing area of mobile telecommunications. It now claims 40 per cent of the world's 20m-strong installed cellular telephone market. Ericsson has been quick to develop digital systems.

It dominates the European GSM digital cellular standard and can supply to all the leading different standards adopted by telecoms authorities around the world. This flexibility and geographical spread has given Ericsson competitive advantage and it expects to do well when new cellular wavelengths are licenced in the US next year without a common standard being applied.

If industry projections are right that cellular telephone subscribers worldwide will grow in number to as many as 120m by 1998, Ericsson looks well placed to benefit.

The company appears to face a tougher time in fixed telephony systems. But it has been spending heavily on upgrading its transmission, switching and network management systems and developing new broadband systems to keep up with moves towards single line multi-media delivery of telephone, computer and television services. And it has entered partnerships in different areas with Hewlett-Packard, Texas Instruments, General Electric and Toshiba to ensure it is not outflanked by its rivals.

"We cannot relax and just collect the money," said Mr Ramqvist. "We have just seen the beginning of competition. But we will not easily be knocked down."

EniChem sees deficit widening to L2,200bn

By Haig Simonian in Milan

ENICHEM, the chronically loss-making petrochemicals subsidiary of Italy's Eni energy and chemicals group, expects this year's losses to reach about L2,200bn ($1.3bn).

The company, which has seen a severe deterioration in its financial performance in spite of cost-cutting efforts, lost L1,052bn in the first half of this year against L721bn in the same period last year.

About L1,000bn of this year's losses will stem from financial charges on its large net indebtedness, expected to be about L8,500bn by the year end.

The deterioration at EniChem means it will have to be recapitalised by Eni under Italian law. However, Mr Marcello Colitti, EniChem's chairman, said fresh capital would hava to await further results of the group's restructuring.

Mr Colitti noted that any injection of funds would have to convince the European Commission in Brussels that it did not represent illegal state aid.

EniChem intends to dispose of non-core activities and slim down its business to concentrate on ethylenes, polymers and elastomers.

Uni Storebrand back in black at nine months

By Karen Fossli in Oslo

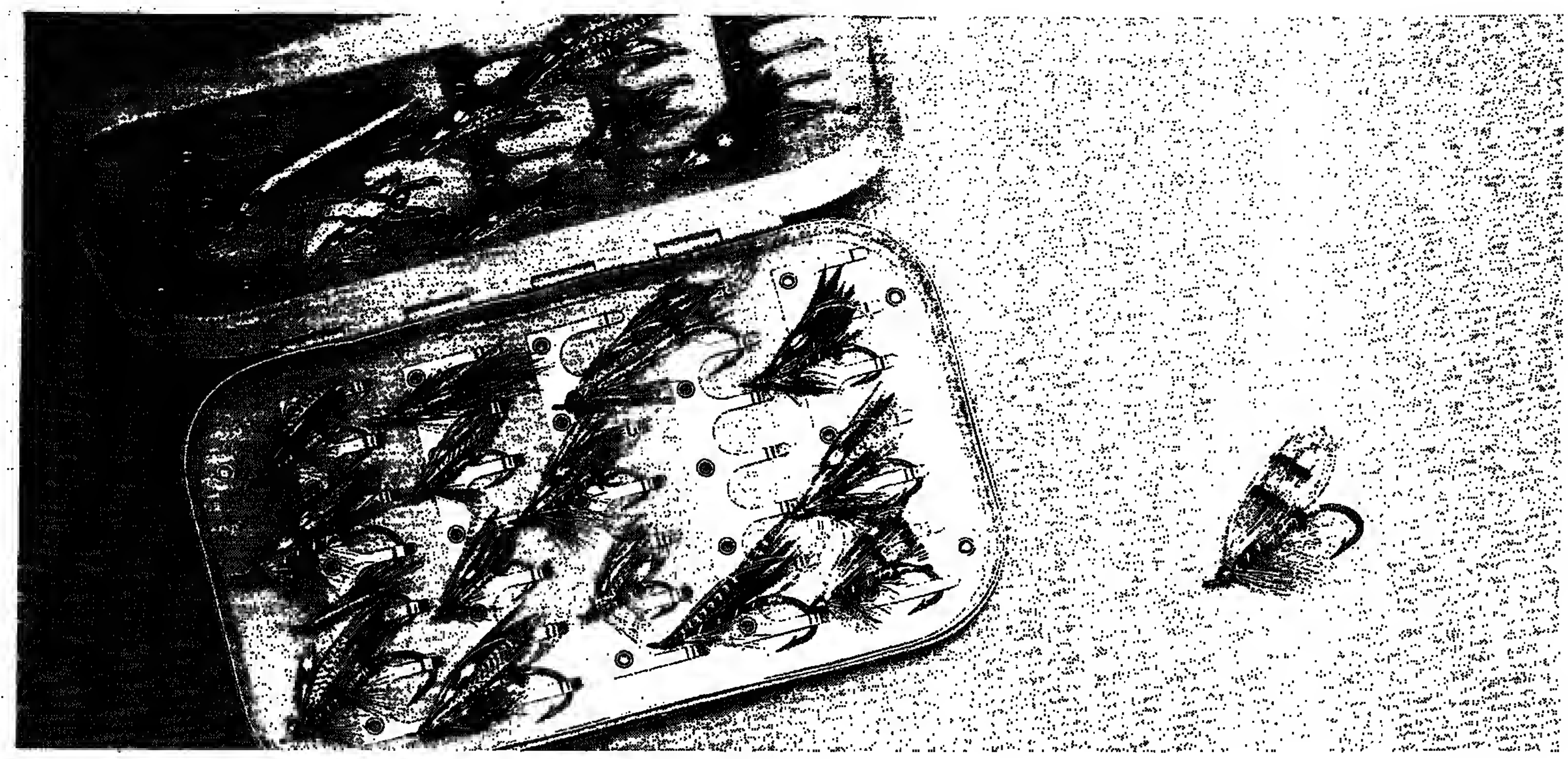
UNI Storebrand, Norway's biggest insurance group, yesterday reported nine-month profits of NKr3.84bn ($536m), against a loss of NKr3.59bn in the same period last year.

It attributed the sharp turnround to a positive development in interest rates and gains on securities.

After distribution of NKr2.73bn in life and pension insurance for life insurance clients, the consolidated nine-month pre-tax profit reached NKr1.11bn against a loss of NKr3.8bn in the same period last year, the company said.

Group gross operating income rose to NKr18.19bn from NKr15.22bn last year as net operating income advanced to NKr16.79bn from NKr13.79bn. During the nine-month interim, the group achieved realised gains on securities of NKr2.42bn, of which NKr1bn was made during the third quarter. Unrealised gains reached NKr4.06bn.

Uni said its equity capital increased by NKr466m to NKr2.56bn while its equity-to-debt ratio reached 7.81 per cent, compared with the legal requirement of 4.25 per cent.



For the best advice, talk to someone who understands local conditions.

Trusted advice. It's the most valuable quality in a professional relationship and it's at the core of the approach that Merrill Lynch offers its clients.

Advice that stems from a simple philosophy: to link market to market, capital to companies and people to opportunities.

Advice that stems from research, insight and experience.

Advice based on local knowledge, as well as global reach.

With offices in 20* centres in Europe, we're at the heart of Europe, helping an increasing number of individuals, companies, banks and governments.

Since early 1992 we have helped raise in excess of $134 billion in the international capital markets for a wide range of European concerns. In fact for the last 5 years, Merrill Lynch has been the lead underwriter of debt and equity securities worldwide.

In the Euromarkets, we have consistently anticipated and created opportunities for our clients. For example, we have worked closely with central banks and regulatory authorities to open up the market in local currencies for Medium-Term Notes in Europe.

Our advice and transactional strength in the privatisation field has also been increasingly in demand. For example, we advised on the privatisation of the Hungarian tobacco industry where transactions were concluded with B.A.T, Philip Morris, RJR and Reemtsma, and we acted as bookrunning manager for the U.S. offering in the recent privatisation of BNP.

And we have built one of the most comprehensive private banking networks in the world.

All this led to our being named "Bank of the Year" by *International Financing Review* in 1992.

If you're looking for better advice in Europe, talk to Merrill Lynch.

It's advice that makes a difference for our clients.

The difference is Merrill Lynch.

Merrill Lynch

*Amsterdam · Athens · Berlin · Dusseldorf · Frankfurt · Geneva · Hamburg · Isle of Man · Istanbul · London · Lugano · Luxembourg · Madrid · Milan · Monte Carlo · Munich · Paris · Rome · Vienna · Zurich

Baxter Intl announces broad-ranging reshape

By Richard Waters in New York

BAXTER International, the troubled US medical supplies group, announced a broad-ranging restructuring which will lead to 4,500 lost jobs and account for $700m of special pre-tax charges out of a total of $925m this year.

The company also said it was in talks to sell its diagnostics manufacturing business, and was considering joint ventures, partial flotations and other moves to further the development of its businesses.

The moves represent Baxter's response to the restructuring in the US health care industry, and to growing unrest among its shareholders.

The company's shares, which were trading at $35 before Baxter first attracted shareholder disquiet when it pleaded guilty to supporting an Arab boycott of Israel in March this year, have fallen to a low of $20 in recent weeks.

Mr Vernon Loucks, chairman and chief executive, said the restructuring was intended to make the company better organised in the US to cope with the "dramatic changes" under way in the health care market.

Its salesforce, operating through 20 product divisions, will be amalgamated and organised regionally, making it better adapted to sell to the large regional buying groups which are beginning to dominate the industry. Powerful buyers have pushed down prices in Baxter's core hospital products business, putting profits under pressure.

Also, the company will concentrate much of investment – expected to reach $2bn over the next three years – abroad, where growth prospects are greater.

The restructuring will result in a pre-tax charge of $700m in the fourth quarter this year, taking the company into a loss for the year. The cost cutting, which will result in a reduction of 7 per cent in the workforce over the next five years, will lead to savings of $100m next year, rising to over $350m in 1998, the company said.

Baxter said it would take a $225m pre-tax charge to cover litigation costs, primarily from its breast implants and blood-clotting agents.

The global settlement of a class action over leaking breast implants, agreed last month, would result in costs of $475m –$618m, Baxter said. After insurance cover, the company's share of the settlement cost is expected to be $128m. It has also provided $47m to cover its share of a settlement over HIV-infected blood-clotting products, and $50m to cover other smaller product liability actions.

Medco buys rest of Medical Marketing

MEDCO Containment Services, the US medical services group, is to buy the 45.8 per cent of Medical Marketing Groop it does not already hold at $27.25 per share, Reuter reports. The transaction is valued at $156.6m.

Medical Marketing and Medco, joined in the announcement by Merck, the US health care group, also said the proposal included an agreement with a Medical Marketing shareholder group suing Medco in Delaware Chancery Court after an initial bid of $25 per share for Medical Merketing stock, made on October 13.

The understanding, the companies said, calls for plaintiffs to settle their litigation "based upon, among other things, the terms of the merger agreement".

The merger is snbject to approval by shareholders and the Delaware court, and is also contingent on completion of the Medco-Merck merger.

J.C. Penney sets record as Dayton Hudson slips

By Frank McGurty in New York

J.C. PENNEY, the fourth-largest US retailer, maintained its strong sales and earnings momentum in the third quarter, while Dayton Hudson continued to suffer from its heavy exposure to the sluggish Californian economy.

Penney, with nearly 1,300 department stores in 50 states and an extensive catalogue-sales business, yesterday said net income, before an extraordinary item, set a quarterly record at $221m, or 83 cents a share. The result compares with $186m, or 70 cents, in the corresponding period of 1992.

In the three months to the end of October, the company took a one-time charge of $36m, or 14 cents, to cover early retirement of debt, plus a $14m provision to adjust deferred taxes.

With both items included, net income was $185m, or 69 cents.

The improvement in earnings was struck on a 9.1 per cent advance in sales to $4.76bn.

Sales in stores open for at least a year were 9 per cent ahead of last year's level.

Penney continued to benefit from Sears' recent exit from the catalogue business, as mail-order sales climbed 15.2 per cent.

By contrast, Dayton Hudson's third-quarter results underscored the group's continuing difficulties in the discount sector.

The retailer said a poor performance by Mervyn's, an clothing chain with a strong presence on the west coast, had contributed to a 24 per cent decline in net income to $43m, or 53 cents a share, from $57m, or 70 cents, in the 1992 quarter.

Revenues showed a 7 per cent increase to $4.63bn. However, on a same-store basis, a more reliable measure of retailing strength, sales were up by only 1 per cent.

Mervyn's operating profits were down significantly, while same-store sales dropped by 7 per cent.

Target stores, which offers general merchandise at discounted prices, continued to be a bright spot, showing a 6 per cent gain in comparable-store sales and higher operating profit.

At the department-store division, which includes the Dayton's, Hudson's and Marshall Field's chains, earnings and sales were flat.

Morgan Stanley up 64% in quarter

By Patrick Harverson in New York

MORGAN Stanley, the US securities house, yesterday announced third quarter earnings of $181.7m, up 64 per cent from a year earlier and in line with analysts' expectations.

The results, however, were not as strong as in the record-breaking second quarter, primarily because of lower trading and investment banking revenues.

Although the firm's overall earnings remained strong compared to previous years, the quarter-on-quarter decline in revenues from Morgan Stanley's two main businesses suggests that the unprecedented two-and-a-half year boom in Wall Street profits may have passed its peak.

The firm said the drop in trading revenues was mostly the result of unfavourable conditions in the mortgage-backed securities (MBS) market. Trading revenues totalled $285.3m in the period, down from $300.8m a year ago and well below the record $517.9bn reported in the second quarter.

Although Morgan Stanley did not provide details on the MBS situation, several big Wall Street firms and institutional investors have encountered problems in the MBS market recently.

This follows a surge in the number of borrowers paying off their mortgages early, which has led to losses on portfolios of securities that pay only the interest portion of a mortgage.

With trading revenues declining, investment banking took over as the firm's main source of earnings during the quarter, bringing in a total of $295.5m, up 63 per cent from a year earlier.

The improvement was accredited to growth in structured debt underwriting volumes, a strong equity new issues calendar, and an increase in mergers and acquisitions and other corporate advisory business.

Brokerage commissions totalled in $101m in the quarter, up from $76.8m a year earlier, and asset management and administration fees contributed $87m, up from $51m. Interest and dividend income climbed 61 per cent to $1.57bn.

Non-interest expenses increased 32 per cent to $787.6m, mostly because of a rise in compensation payments that was related to the growth in profits.

Morgan Stanley's shares were little changed at $75⅞ on the New York Stock Exchange.

QVC seeks poison pill ruling

By Richard Tomkins in New York

QVC Network, the US home shopping company, yesterday asked a US court to throw out "poison pill" provisions standing in the way of its hostile $90 a share bid for Paramount Communications, the film studio and book publishing group.

The company told the Delaware Chancery Court it wanted "a level playing field" that would enable it to fight fairly with Viacom, the cable television company that has made an agreed bid for Paramount worth $85 a share.

Under the terms of the agreed bid, Viacom would get a $100m consolation prize if a rival bidder won the battle, together with the right to buy 20 per cent of Paramount's stock on very favourable terms.

QVC claims the provisions are illegally hindering other bids. It told the court yesterday: "It is a breach of fiduciary duty for Paramount directors to pull this poison pill for an inferior offer by Viacom."

The outcome of the court case is likely to prove decisive in the battle.

A decline in Paramount's share price in the last two days suggests that Wall Street is putting its money on a victory for Viacom, the lower bidder.

Meanwhile, QVC reported third-quarter net income of $21.5m yesterday, an increase of 31.5 per cent over the previous year's figure. Net income per share rose only slightly from 40 cents to 42 cents because of an enlarged equity base.

• Nynex, the US regional telephone company that has formed an alliance with Viacom in its bid for Paramount, yesterday challenged US laws preventing telephone companies offering cable services in their own regions.

It filed a suit in the District Court in Portland, Maine, claiming the restriction violated its constitutional right to free speech and deprived customers of a full range of choices in the video services market place.

Capital Cities/ABC expands in Europe

By Richard Tomkins

CAPITAL Cities/ABC, the US media group that owns the ABC television network, is to make further inroads into Europe by taking a stake in a Scandinavian commercial television operator.

It has agreed to buy 21 per cent of the shares in the Luxembourg-based Scandinavian Broadcasting System for about $40m and will have the right to increase its stake to 25 per cent by buying another 500,000 shares on the open market.

SBS's shares, which are traded in the US on the Nasdaq market, rose $1⅞ to $20⅞.

SBS owns and operates four commercial television stations in Scandinavia. They are TV Norge in Norway and TV5 in Sweden, both satellite-to-cable television stations; Kanal 2 in Denmark, an over-the-air television station; and TV Fynboen in Odense, serving Denmark's third largest city.

US broadcasters have been keen to expand their interests in Europe because they see opportunities for growth in a fast-deregulating market.

Capital Cities/ABC has already bought stakes in several European media companies, including Hamster, a French programme maker, Tesauro, a Spanish producer, Molinaire, a UK production company, and Tele-München, a German producer.

Mr Herbert Granath, president of Capital Cities' newly-formed ABC Cable and International Group, said the company's earlier experiences had given it confidence in the future of ventures formed with knowledgeable local managers in growing media markets.

US Prudential in reinsurance flotation

By Richard Waters

THE PRUDENTIAL, the US insurer, plans to retain a majority stake in its reinsurance arm in a partial flotation that would value the unit at more than $1bn.

The company, which earlier this year pursued a private sale of the whole unit, said it would sell 20m of Prudential Reinsurance's 50m shares in a public offering, 4m of them outside the US. An over-allotment provision allows for the sale of a further 3m shares.

The Prudential abandoned its pursuit of a private sale in August after it was unable to raise the $1.2bn target sale price.

In a filing with the Securities and Exchange Commission, the company said it would sell the shares at a maximum of $21 each, putting proceeds from the offering at $420mand the value of the unit at $1.05bn.

GM plans $5.7bn move on pension deficit

By Richard Waters

GENERAL Motors plans to transfer its interest in the future earnings of its Electronic Data Systems subsidiary to its pension plan in a $5.7bn deal aimed at holding down its pension fund deficit.

In a briefing of financial analysts on Monday the company also revealed its pension deficit is expected to reach $24bn by the end of this year, up from $14bn at the end of 1992.

GM, which has the largest unfunded pension liability of any US company, said it had formulated the plan after discussions with the Pension Benefit Guaranty Corporation, which covers private sector pension fund shortfalls.

Under the plan, GM would transfer 185m class E shares to the pension plan. The dividend on these shares is based on earnings of EDS, a company founded by Mr Ross Perot.

The carmaker said it would retain full ownership of the systems company. It will also continue to hold 45m of the class E shares in reserve to satisfy the possible conversion of a separate class of stock it issued earlier this year.

The shares transferred to the fund will be managed by a separate trustee and eventually sold in instalments on the stock market. It added that it expected to maintain an orderly and liquid market in the shares.

The plan, which needs the approval of tax and regulatory agencies as well as GM's board, received initial support from analysts, who welcomed it as a creative partial solution to GM's pension difficulties.

GM's pension deficit has grown largely because of falling US bond rates, which are used to calculate the company's future pension fund liability.

INTERNATIONAL COMPANIES AND FINANCE

Reduced debt provisions help ANZ back to black

By Nikki Tait in Sydney

AUSTRALIA and New Zealand Banking Group (ANZ) yesterday kicked off the Australian banks' reporting season with news of a A$246.5m (US$161m) profit after tax and abnormal items for the year to end-September.

The figure compared with a loss of A$579m in the previous year, and was struck after abnormal items of A$213.2m, compared with A$0.9m. However, the market – which had hoped for net profits of around A$300m – was disappointed, and ANZ shares closed 1 cent lower at A$4.44, having posted a gain of 8 cents ahead of the announcement. Other bank shares, notably National Australia Bank, dipped in sympathy.

ANZ's chairman, Mr John Gough, said that the bank's main aim during the year had been "to address asset quality" and he noted that the need to provide for bad and doubtful debts had fallen sharply, especially in the second half, as asset values stabilised.

Before doubtful debts, restructuring charges and abnormal items, ANZ's operating profit stood at A$1.36bn, only 3.7 per cent higher than in the previous year. However, the specific provision for bad and doubtful debts more than halved from A$1.6bn to A$628.7m, while the general provision for bad and doubtful dabts fall from A$337.3m to A$5m. Restructuring costs were A$54.8m, compared with A$95.1m last time.

The level of net non-accrual loans (where accrual of interest and fees has ceased) was reduced from A$3.07bn to A$2.18bn, and now represents 42.8 per cent of shareholders' equity, compared with 66.9 per cent a year ago.

Asset sales, meanwhile, were ahead of budget, and produced around A$1bn. By the year end, the group's capital adequacy ratio stood at 10.8 per cent, with 5.9 per cent in tier one capital.

A large element of the abnormal items – A$101.8m – reflected a write-down in the value of net deferred tax assets. Other major items included a A$23.5m loss from the sale of the pastoral and shipping businesses of Dalgety Farmers, and about A$83m of property-related losses or write-downs.

Wang shows small profit after leaving Chapter 11

By Alan Cane

WANG, the former minicomputer manufacturer, made a small profit in its first quarter since emerging from the protection of the US bankruptcy code.

Now reconstructed as a computer software and services company, it yesterday reported income before tax, extraordinary items and reorganisation expenses of $12.3m compared with a $36.9m loss for the same quarter in 1992.

The company said operating income of $12.4m for the first quarter included about $5m in non-recurring income from settlements under technology licensing agreements.

There was an extraordinary gain on debt discharge, net of reorganisation expenses, of $294.4m, giving a net income for the quarter of $306.3m.

But Wang said net income for the quarter was neither comparable with prior quarters nor indicative of future results.

Revenues were $210.9m, compared with $360m a year ago. No dividend is being paid.

Mr Joseph Tucci, newly appointed chairman, said the results represented a "solid return to profitability".

They also showed the company could achieve sustained profitability as a supplier of office productivity software based on open standards and client-server designs.

Wang was placed in bankruptcy protection last year with debts of more than $500,000. It emerged from Chapter 11 three weeks ago after its creditors agreed to a debt-to-equity conversion. No single stockholder owns more than a few per cent of the company, and the balance sheet is strong.

The company will continue to support users of its VS series of minicomputers, but its new business plan focuses on client-server software and systems integration services.

Canberra to sell Moomba pipeline

By Nikki Tait in Sydney

THE AUSTRALIAN government yesterday announced plans to raise over A$500m (US$327m) by selling a controlling interest in the Moomba-Sydney gas pipeline to the Australian Gas Light Company, the nation's largest petroleum pipeline company, and inviting tenders for the remaining equity.

The pipeline transports natural gas from the Cooper Basin in South Australia on behalf of AGL, for distribution in Sydney, Canberra and regional centres in New South Wales. It is operated by The Pipeline Authority (TPA), a statutory authority, under a haulage agreement dating back to 1974.

It has been politically contentious in the past, and a previous attempt at privatisation, in the 1980s, failed. The current deal is not expected to be completed until mid-1994, and will require enabling legislation to be passed, as well as a new haulage agreement and approvals from the Trade Practices Commission and the New South Wales government.

Under the current proposal, the government would sell a 51 per cent interest in the pipeline to AGL and conduct a competitive tender process for the remaining 49 per cent.

"The government expects that total gross proceeds from the sale will be in the range of A$510m to A$550m," Mr Ralph Willis, finance minister, and Mr Michael Lee, resources minister, announced yesterday.

AGL, which is quoted and has other oil and gas trunk pipeline interests in New South Wales, Queensland and the Northern Territory, would receive A$30m compensation for releasing the commonwealth and TPA from contractual commitments to the pipeline's operation, they added.

Commenting on the proposed transaction, AGL said the sale represented "an acceptable solution to the current confusion over future haulage charges" and would result in reductions in haulage charges for "major gas users, who are currently subsidising smaller consumers".

The company, which has long sought ownership of the pipeline, said it would prefer to see a number of institutional investors own the remaining 49 per cent but added that nothing – from a trade sale to a single purchaser or a public flotation of the remaining equity – had been ruled out by the federal government.

The deal could have implications for ICI Australia, part of the UK's ICI group, which plans to build a second pipeline linking the Cooper Basin and Sydney. This would follow the existing pipeline's path, and would be used to transport ethane to ICI's Botany Bay petrochemical plant. Total cost of this project has been put at around A$300m.

However, ICI Anstralia said yesterday that it still expected the ethane pipeline to be built by TPA, and for the project to proceed as planned.

Nedcor to expand in Africa

By Philip Gawith in Johannesburg

FOLLOWING similar forays into Africa by some of its competitors, Nedcor, South Africa's fourth largest banking group, has announced a series of initiatives to increase its presence on the continent.

Nedcor Bank, a subsidiary of Nedcor, has entered into a strategic alliance with Société Financière pour les Pays d'Outre-Mer (SFOM), to combine forces in Africa.

SFOM, a Swiss-based holding company, has major shareholdings in banks in 14 countries in Africa with a strong presence in West and Central Africa. It is owned by Banque Nationale de Paris, Dresdner Bank and Banque Bruxelles Lambert.

Nedcor Bank and SFOM have also agreed, with effect from October 1 1993, to combine forces in Namibia by merging Namibian Banking Corporation and Commercial Bank of Namibia.

The merged bank will be jointly managed by the two partners, which hold an 86 per cent stake, and will be known as The Commercial Bank of Namibia. It will be the third largest bank in Namibia witb total assets of R725m ($166m).

Nedcor Bank has also agreed to acquire an effective 16 per cent strategic stake in the Merchant Bank of Central Africa, one of Zimbabwe's premier banks, in partnership with other major shareholders including SFOM, NM Rothschild and Hill Samuel.

Nedcor Bank said that, given South Africa's inexperience in the rest of the continent, it had been decided to forge relationships with other banks that had greater experience in the region. The group saw its business in Africa as the provision of bankings services and support to its corporate and commercial customers doing business in Africa.

Bangkok Land down in quarter

By William Barnes

THAILAND'S biggest listed property company, Bangkok Land, reported second quarter consolidated net profits of Bt1.502bn ($55.9m) yesterday, slightly down on last year's Bt1.575bn. Half-year profits were slightly higber at Bt2.911bn, up from Bt2,275bn in the same period last year.

Hoare Govett's Mr Niel Semple said bis Bt4.7bn forecast looked achievable. However, with perhaps US$800m in accounts receivable from home buyers yet to move into their homes in the ambitious company's property developments, and who have paid only a fraction of the price, there remains some doubt about the strength of earnings.

Tanayong, a rival property company, also controlled by the powerful Sino-Thai Kanjanapas family, reported second quarter consolidated net profits of Bt100m, making Bt150m for the half year.

Like Bangkok Land, it seems to have selling problems with its core property venture on the outskirts of Bangkok.

Growth slows at Bangkok Bank

By William Barnes in Bangkok

BANGKOK Bank has reported third-quarter results which confirm that deregulation has yat to make a significant impact on the country's 15 listed banks, although profits growth is slowing. South-east Asia's biggest bank lifted unconsolidated net profits to Bt3.31bn ($133m) from Bt2.8bn in the same period last year.

Mr George Huabsch, Union Securities' head of research, said Bangkok Bank's profits, like those of the whole sector, were feeling tha affects of slower loan growth and a narrower spread between lending and deposit rates.

"The economy is coasting and some banks' clients have been lost to foreign banks or used debt instruments to raise monay," according to Mr Huebsch. However the latest results from Bangkok Bank are in line with his full-year forecast of a 23 per cent rise in profits to Bt13.36bn, compared with Bt10.54bn in 1992.

Thailand's other leading banks have also reported third-quarter results: Siam Commercial Bank's net profits climbed by 9.2 per cent to Bt1.21bn: Thai Farmers Bank's profits rose 10 per cent to Bt1.67bn; Krung Thai Bank showed a 27 per cent gain to Bt1.35bn; Bank of Ayudha saw a modest 0.9 per cent advance to Bt706m and Thai Military Bank reported a 78 per cent increase to Bt681m.

Mr Graheame Catterwell, country manager for Crosby Research, said new lending income from the recently introduced Bangkok International Banking Facility should come through in the next quarter.

"Some people say Thai banks are going to fade – that's nonsense as these figures show. Thirty per cent growth may be slower but they are still extraordinarily profitable," said Mr Catterwell.

The slowdown in lending was most apparent in the Siam Commercial Bank where loan growth slipped to only 2.6 per cent in the quarter.

European recession hits Cascades

By Robert Gibbens in Montreal

THE EUROPEAN recession and problems with tbe boxboard operations brought a third-quarter loss for Cascades, the international packaging products and fine paper group.

It posted a net deficit of C$3.2m, or nine cents a share after preferred dividends, against profit of C$1.3m, or two cents a share, a year earlier.

Sales advanced to C$400m, from C$217m a year earlier, and included 59 per cent-owned Cascades Paperboard and 73 per cent-owned Rolland.

For the first nine months of 1993 the net loss was C$4.3m, or 17 cents a share, against profits of C$13.6m, or 25 cents, on sales of C$1.23bn, compared with C$643m.

Most packaging operations in North America and Europe were profitable, but European boxboard markets were weak.

The Duffel plant in Belgium made a C$12.7m loss in the nine months after shutdown costs. Only the packing unit remains open.

Cascades has sold its western Canada assets held through Cascades Paperboard, raising more than C$200m for debt reduction in that unit.

The holding company has redeemed US$23.8m of subordinated notes and long-term debt has declined to C$29m.

Thai oil and gas group well ahead

PTT Exploration and Production (PTTEP), the Thai oil and gas company partially privatised this year, announced sharply higher consolidated net profits for the third quarter of 1993 to Bt142.6m ($5.6m), compared with Bt10.3m in the same period last year, writes Victor Mallet.

For nine months to end-September, group net profits rose to Bt259.4m from Bt82.3m. The company says profits are expected to continue rising as production increases from the Bongkot offshore gas field, which opened in July.

PTTEP is Thailand's only listed exploration and production company and is still 85 per cent owned by the Petroleum Authority of Thailand.

Backing a champion in China

Simon Holberton profiles an HK telecoms group with important inroads to the mainland

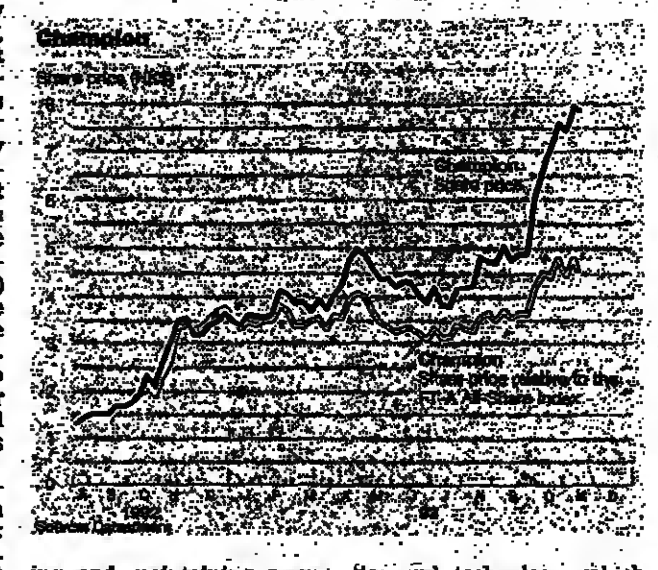
As the darling of the Hong Kong telecommunications sector, Champion Technology can do no wrong. Founded in 1987 by Mr Paul Kan, a computer software engineer formerly employed by Cable & Wireless of the UK, and taken public in August last year, Champion is a bet – so far one-way – on China's future.

The company is already regarded by Hong Kong telecoms analysts as the purest China telecommunications "play" in the market. More than 90 per cent of the company's HK$298.6m (US$38.5m) revenues accrue from the sale of its multi-lingual Kantone radio paging systems to China. And the system is reckoned to give Champion a three-year technological edge over US and Japanese electronics giants Motorola and Matsushita.

Mr Andrew Harrington, telecoms analyst at Salomon Brothers in Hong Kong, says: "Champion is a concept stock. If you believe that the market in China will open up to foreign investment – which I do – then Champion will be a major beneficiary. It has the golden combination of contacts and expertise."

Last week, Champion made an agreed £21.5m ($31.8m) bid for Multitone, the UK inventor of the electronic pager. The acquisition should bring much needed resources to developing Champion's business, especially on the mainland.

"We have a lot of business in China," says Mr Paul Kan, chairman and chief executive. "But we are constrained by people, resources and capacity. There are not many paging companies around that we can buy. They invented the pager and I'm the father of the Chinese language pager, so it's a natural fit."



Champion makes its money in China from selling, installing and maintaining pager systems and pagers in cities. Under current regulations, it is unable to own equity in a paging network, although in most locations it shares in the revenue generated by the system.

Currently it has 15 systems on the mainland, with an aggregate pager capacity of 300,000 units, of which only 60,000 have been supplied. By the end of the century, it hopes to have installed 100 systems with a capacity of 2m pagers.

Mr Kan is the first to admit his company is a high-risk investment. Of his deals in China, he freely acknowledges that "everything is not well-defined", and that there is "no proper regulatory framework" underpinning his agreements with partners.

However, what gives analysts confidence in Champion is its two-fold secret of success on the mainland. It has expertise and technology, which allows it to market its pager. Most importantly, however, it has contacts, especially with China's military and public security apparatus, which controls many of the country's radio frequencies.

Mr Kan is reluctant to talk at length about his contacts with the People's Liberation Army, (PLA), saying that in many countries the military is involved in business. But when pressed he says: "They are very business-like; in fact they are just like ordinary businessmen. But their companies are good to deal with because they have a lot of clout. They can give quick decisions and help speed up procedures like import licenses."

And his contacts go straight to the top or, at least, near to it. Mr Kan last week presented a report to the Chinese government about how it should liberalise its telecommunications market. He gave the report to none other than Mr Wan Li, 77, a veteran Communist party leader and supporter of economic liberalisation – and Mr Deng Xiaoping's favourite bridge partner.

Champion's future in China would be assured if it could meet its ambitious plans for the expansion of its pager network. However, the company has set its sights much higher, and wants to be involved in the mainland's telephone system as well.

This year it became the first foreign company to invest in a domestic telephone network on the mainland. It has taken 40 per cent of a mobile communications network in Chengdu, the capital of Sichuan, China's most populous province with an estimated 110m population. In doing so, it circumvented existing prohibitions against such investment by standing one removed from day-to-day operation of the network.

Its partners in the deal – which will entail an investment by Champion of up to US$30m – are the local branch of the ministry of post and telecommunications (MPT) and the PLA. In addition to capital, Champion has provided technology and expertise to the joint venture, for which it will receive 40 per cent of the profits. These could be large.

China has to date prohibited foreign investment in the operation of telecommunications networks. It is for this reason that Mr Kan emphasises his company will 'not operate' the Chengdu mobile network – which he says should be ready for testing by the end of this year – only design the system and procure equipment for it.

However, pressure is building on Beijing to allowed foreign investment in networks.

Brierley group drops executives' options plan

By Terry Hall in Wellington

BRIERLEY Investments unexpectedly abandoned plans at yesterday's annual meeting for a controversial proposal that would have given 30 top executives options to buy shares at a discount.

The proposal had run into stiff opposition from New Zealand institutional managers, who attempted to enlist the support of the company's founder, Sir Ron Brierley. They wanted to overturn it on the grounds that Brierley executives were sufficiently well paid.

Sir Ron, who was displaced as chairman in an executive coup in 1990, had previously criticised the proposal. He had undertaken to raise the issue at a board meeting that preceded yesterday's annual meeting.

The new chairman, Mr Bob Matthew, announced soon after the shareholders' meeting began that the proposal was being reconsidered. He said the company had "substantially underestimated the extent of the ill-informed and misleading debate" the proposal had sparked.

The abandoned proposal would have given selected managers options to buy 35m shares at NZ$1.22 each over the next four years, provided the gross return on the shares was more than 15 per cent a year.

INTERNATIONAL CAPITAL MARKETS

Treasury prices little changed ahead of Nafta vote

By Patrick Harverson in New York and Sara Webb in London

US TREASURY prices were flat-to-weaker across the maturity range yesterday morning as investors and dealers nervously awaited the outcome of today's Congressional vote on the North American Free Trade Agreement (Nafta).

By midday, the benchmark

GOVERNMENT BONDS

30-year government bond was down 1/8 at 101 1/16, yielding 6.166 per cent. At the short end, the two-year note was unchanged at 99¾, to yield 4.059 per cent.

Traders said activity during the morning session was extremely light, with what little business there was conducted mostly in the intermediate range of securities.

There was no fresh economic news to drive the market, and investors remained cautious of committing funds to Treasuries ahead of the Nafta vote.

The market is concerned Nafta will fail to be approved by the House of Representatives.

The treaty is seen as positive for bonds because it would remove trade barriers, which are regarded as inflationary.

■ THE cut in the Bundesbank's securities repurchase – or repo – rate provided a welcome boost for some of Europe's government bond markets yesterday.

German bonds had climbed in early trading on expectations of a much lower repo rate, with many market participants looking for a cut of between 5 and 10 basis points.

In the event, the Bundesbank announced a minimum repo rate of 6.29 per cent, down nine basis points from 6.38 per cent last week. The central bank's net drain of liquidity of DM3.2bn took the market by surprise, dealers said.

The market does not appear to be expecting a cut in the Bundesbank's key interest rates – the Lombard and discount rate – at this week's council meeting.

The bund futures contract rallied from 99.96 at the opening to a high of 100.18, but met with some resistance at that level and slipped back to 100.00.

■ ITALY provided the other main highlight in European trading with its first auction of 30-year government paper in the domestic market. Italian government bonds opened on a buoyant note – taking their cue from the lower repo rate in Germany – but ended lower.

Market participants were mainly watching for the outcome of the auction of L 2,000bn of 30-year bonds. Dealers said demand for the issue was fairly good, with bids amounting to L 3,067bn. The Bank of Italy announced a net yield of 8.62 per cent and a price of 93.75.

Dealers said the yield spread for the 30-year issue over 10-year government bonds widened to about 65 basis points, having been as low as 50-55 basis points in the grey market ahead of the auction. However, they pointed out that the auction price "seemed fair".

■ UK government bonds climbed initially on futures-driven trading, with dealers noting strong buying interest out of the US, but fell back later in the day on selling of the cash market.

The announcement of a £2.72bn Public Sector Borrowing Requirement (PSBR) for October had little impact on the gilt market, although dealers pointed out that it was slightly higher than expected.

■ JAPANESE debt prices closed lower, with medium-dated bonds underperforming the rest of the market. Dealers said this reflected expectations of new supply from corporate issuers in the domestic bond market.

The March futures contract opened at 113.90 and traded in a range of 113.75 to 114.18, closing at the low of the day.

FT FIXED INTEREST INDICES

	Nov 16	Nov 15	Nov 12	Nov 11	Nov 10	Year ago	High *	Low *
Govt Secs (UK)	103.13	103.07	102.74	102.62	102.58	94.06	103.60	93.28
Fixed Interest	123.47	123.34	123.35	123.32	123.26	109.80	125.20	108.67

Basis 100: Government Securities 15/10/26; Fixed Interest 1928.
* for 1993. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75)
Fixed Interest high since compilation: 125.20 (1/9/93), low 50.53 (3/1/75)

GILT EDGED ACTIVITY

Indices*	Nov 15	Nov 12	Nov 11	Nov 10	Nov 9
Gilt Edged Bargains	149.2	96.5	97.8	124.0	205.9
5-Day average	134.6	125.1	128.4	127.0	110.8

* SE activity indices rebased 1974

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		9.500	08/03	120.3501	+0.555	6.63	6.56	6.55
BELGIUM		9.000	03/03	113.8500	-0.050	6.94	6.98	7.10
CANADA *		7.500	12/03	100.4500	+0.200	6.74	6.77	6.70
DENMARK		8.000	05/03	111.1500	-	6.39	6.43	6.42
FRANCE	STAN	5.750	11/98	101.5626	-0.042	5.36	5.41	5.48
	OAT	6.750	10/03	105.3800	+0.120	6.01	6.04	5.92
GERMANY		6.000	08/03	101.1450	+0.110	5.84	5.65	5.67
ITALY		10.000	05/03	104.3200	-0.560	8.531	8.54	8.86
JAPAN	No 119	4.800	06/99	106.7010	-0.344	2.98	2.84	3.24
	No 157	4.500	06/03	106.6322	-0.001	3.59	3.49	3.84
NETHERLANDS		7.000	02/03	108.2900	-0.040	5.81	5.81	5.81
SPAIN		10.900	06/03	114.6300	+0.100	8.57	8.88	8.55
UK GILTS		7.250	03/98	104-11	-	6.10	6.13	6.13
		8.000	06/03	108-20	+06/32	6.78	6.83	6.81
		9.000	10/08	117-10	+04/32	7.10	7.17	7.17
US TREASURY *		5.750	08/03	100-30	+13/32	5.62	5.57	5.20
		6.250	08/23	101-10	+18/32	6.15	6.12	5.81
ECU (French Govt)		8.000	04/03	111.0000	-	6.41	6.51	6.33

London closing, *denotes New York morning session. Yields: Local market standard. † Gross annual yield (including withholding tax at 12.5 per cent payable by non-residents). Prices: US, UK in 32nds, others in decimal. Technical Data/ATLAS Price Sources

Finnish bank in FM2bn tap issue

By Christopher Brown-Humes in Stockholm

UNION Bank of Finland plans to raise up to FM2bn ($341.8m) over the next two and half years through a series of bond auctions to domestic and international institutional investors.

The tap issue will carry a 7 per cent coupon, and be denominated in lots of FM1m and FM10m. Subscription will be via monthly auctions between November 24 1993 and May 31 1996.

It is the first time a Finnish bank, or company, has issued bonds in this way. Tap issues, with auctions, have previously been the preserve of the government. The initiative is designed to enhance the development of the Finnish bond market by offering investors new material. The maturity date of the issue, June 15 1997, is the same as the benchmark government bond issue.

The bank, part of Unitas, said proceeds would be used for normal funding. "We are looking to raise longer maturity markka to fund our longer maturity markka assets," said Ms Maarit Näkyvä, UBF's first vice-president.

Unitas has recently raised FM1.6bn in new equity as part of a recapitalisation drive following the Finnish banking crisis. Its capital adequacy ratio stands at 12 per cent.

'Knockout' warrant issued by SocGen

By Tracy Corrigan

SOCIETE Générale has issued 400 "knockout" call warrants on Mexican par bonds, designed to provide a play on ratification of the North American Free Trade Association (Nafta).

The warrants give holders the right to buy Mexican par bonds, but the "knockout" feature means that if the value of the bonds falls below a certain level at any time during the life of the warrants, they expire worthless. Otherwise, the warrants can be exercised on July 15 1994.

The "knockout" feature reduces the cost of the options, particularly when the underlying security is volatile.

Société Générale believes there is an 80 per cent chance that Nafta will be approved by US Congress, and that this would have a positive impact on the performance of Mexican debt.

The ratification would "probably lead to an upward revision of Mexico's grading on long-term foreign currency debt", reducing the premium on Brady bonds, said SocGen.

If the treaty is not ratified, SocGen believes there will be a short-term increase in volatility.

German states make most of buoyancy in long DM sector

By Antonia Sharpe

THREE German states jumped on the long-dated D-Mark Eurobond bandwagon yesterday, encouraged by the successful launch of the Republic of Austria's 30-year Eurobond issue on Monday.

INTERNATIONAL BONDS

The state of Baden-Württemberg launched a DM750m 30-year Eurobond issue, while the states of Hesse and Sachsen-Anhalt raised DM500m and DM600m respectively through issues of 20-year Eurobonds, puttable at par after 10 years.

Hesse's bonds also featured a step-up coupon, which will rise from 6 per cent to 6⅞ per cent in years 11 to 20.

Syndicate managers said that, so far, long-dated D-Mark bonds were being taken up quickly by investors. However, they warned that this evolving sector of the Eurobond market could bacome saturated quickly due to tha lack of benchmark 30-year German government bonds.

"This market needs to be treated sensibly," said one syndicate manager. In general, the pricing of yesterday's long-dated D-Mark Eurobond offerings was judged to be fair.

In the Eurodollar sector, Instituto Nacional de Industria (Ini), the Spanish state industrial holding company, reaped the rewards of a thorough international roadshow, to increase the size of its inaugural five-year Eurobond issue from $500m to $650m.

The increase in Ini's offering surprised some syndicate managers, who were under the impression the bonds were selling slowly. However, Mr Héctor López Vilaseco, Ini's finance director, said the increase came in response to strong investor demand.

He said about 30 per cent of the bonds were placed in eastern Asia, a considerable achievement given that very few Spanish issuers had tapped that region's large pool of investors in the past.

The rest of Ini's bonds were placed with European investors, in the UK and Switzerland in particular.

Demand from investors was such that Ini's bonds were priced to yield 38 basis points over underlying US Treasuries, at the lower end of Ini's target yield spread of 37 to 42 basis points.

This represented a yield differential of between fiva and 10 basis points over outstanding dollar Eurobonds issued by the Kingdom of Spain. When Ini's bonds were freed to trade, the spread remained intact.

Mr López said about half of the proceeds of the issue would be swapped into pesetas, and that the remainder would be swapped into several European currencies, including Ecus.

National Power, the UK's largest electricity generaior, made its first appearance in the Eurodollar sector with a $300m issue of 10-year Eurobonds. They were priced to yield 70 basis points over US Treasuries, also at the lower end of the indicated range of 70 to 72 basis points.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book runner
US DOLLARS							
INI Finance	650	5.25	99.25R	Dec.1998	0.25R	+38 (4¾%-98)	Goldman Sachs/MSI
European Inv. Bank	500	5.00	99.811R	Dec.1998	0.25R	+8 (4¾%-98)	Nomura Intl.
National Power	300	6.25	98.737R	Dec.2003	0.35R	+70 (5¾%-03)	Merrill Lynch Intl.
Exim Bank Turkey(a)‡	130	(a)#	100.00R	Dec.1998	0.50R	-	Merrill Lynch Intl.
Union Bank of Norway(b)‡	100	(b)	99.23R	(b)	1.20R	-	Morgan Stanley
Empresa Distribuidora	80	6.00	99.71	Nov.1996	0.75	+370(4⅝%-96)	Merrill Lynch Intl.
D-MARKS							
State of Baden Wuerttemberg	750	6.50	99.46R	Jan.2024	0.50R	-	MSI/Salomon Bros.
Sachsen-Anhalt	600	6.20	100.17R	Dec.2013	0.325R	-	Morgan Stanley Frankfurt
State of Hesse(c)	500	6.00	99.180R	Nov.2013	0.38R	-	JP Morgan
Dapo Finance	100	6.50	102.50	Jan.2004	3.00	-	Trinkaus & Burkhardt
YEN							
SMC Corp.(d)	10bn	3.05	100.0625R	Mar.1998	0.11R	-	Asahi Finance
CAF(e)	10bn	4.00	100.00R	Dec.1998	-	-	Nikko Europe
Mitsubishi Finance	10bn	2.30	100.00R	Sep.1995	0.20R	-	IBJ Intl.
CANADIAN DOLLARS							
Montreal Urban Community	75	7.50	99.425R	Jan.2004	0.375R	+69 (7½%-03)	Hambros Bank
GUILDERS							
Nederlands Waterschapsbk.	150	6.00	100.00R	Jan.2005	0.30R	+22½(6½%-03)	ABN Amro
PESETAS							
Electricite de France(f)	10bn	8.00	101.48	Dec.1998	1.625	-	BCH/SBC
SWISS FRANCS							
Alwa Co.(g)§*	200	0.125	100.00	Mar.1998	-	-	UBS
Wakachiku(h)Φ*	150	0.50	100.00	Dec.1997	-	-	Nomura Bank (Switz.)
Ito(i)§*	140	0.125#	100.00	Apr.1998	-	-	Yamaichi Bk. (Switz.)
Riken(g)Φ*	130	0.50	100.00	Dec.1997	-	-	IBJ (Switz.)

Final terms and non-callable unless stated. The yield spread (over relevant government bond) at launch is supplied by the lead manager. *Private placement. §Convertible. ΦWith equity warrants. ‡Floating rate note. #Semi-annual coupon. R: fixed re-offer price; fees are shown at the re-offer level. a) Coupon pays 6-month Libor + 1.85%. b) Undated step-up subordinated FRN. Coupon pays 3-month Libor + 1.625% in years 1-5, then 3-month Libor + 2.65% thereafter. c) Coupon rises to 6.875% in years 11-20. Put option at par from year 10. d) Short first coupon. e) Samurai Bond. f) Matador bond. g) Fixing: 24.11.93. h) Callable on 2.12.95 at 102% and declining semi-annually by ½%. Fixing: 22.11.93. i) Fixing: 18.11.93.

IFC launches two indices

THE International Finance Corporation (IFC), the private-sector arm of the World Bank and the world's leading source of data on emerging stock markets, has expanded its coverage to include China and Zimbabwe, writes Antonia Sharpe.

It has launched two indices for China, a global index which contains 81 stocks capitalised at $17bn and an investable index of 16 stocks with a market value of $1.7bn.

The global index includes Chinese shares listed in Shanghai, Shenzhen and Hong Kong. The investable index, meanwhile, is limited to B shares and H shares, which can be bought by foreigners.

The IFC has also created an investable index for Zimbabwe made up of five stocks with a market value of $115m. Since Zimbabwe opened up its stock market to foreigners in June, stocks have risen by 84 per cent in dollar terms.

MARKET STATISTICS

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:05 pm on November 16

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
Abbey Natl Treasury 6½ 03	1000	101¼	101½	+⅛	6.31
AlbertaProvince 9⅜ 00	600	108	109⅜	+⅛	4.44
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
Arbed 7½ 95 LFr	600	99⅜	100⅜		7.87
Banfinance Lux 9¼ 99 LFr	1000	107¼	110½		7.43
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

© The Financial Times Ltd., 1993. Reproduction in whole or in part in any form not permitted without written consent. Data supplied by International Securities Market Association.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	46	10	22
Other Fixed Interest	3	3	9
Commercial, Industrial	251	333	838
Financial & Property	160	125	543
Oil & Gas	25	24	30
Plantations	0	1	6
Mines	46	38	57
Others	*44*	*55*	*43*
Totals	575	587	1,550

LONDON RECENT ISSUES

EQUITIES

Issue Price	Am'nt Paid up	Latest Renunc Date	1993 High	1993 Low	Stock	Closing Price	+or -	Net Div	Times Cov'd	Gross Yield	P/E Ratio
§140	F.P.	-	165	140	Abacus	162		N R0.5	2.0	2.7	22.0
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

RIGHTS OFFERS

Issue Price	Amount Paid up	Latest Renunc. Date	1993 High	1993 Low	Stock	Closing Price p	+or -
280	Nil	9/12	46pm	33pm	Ashtead	33pm	-4
80	Nil	23/11	14pm	5pm	§Coanac	7pm	-2
65	Nil	14/12	8pm	4pm	Elliott (B)	4pm	
35	Nil	13/12	1¼pm	¾pm	Eng & Overseas Props	1½pm	
¼	Nil	23/12	1¼pm	½pm	Fairhomes	1¼pm	
11	Nil	23/12	1¼pm	1¼pm	Graystone	1¼pm	
3¼	Nil	23/12	½pm	½pm	IMC Inds.	½pm	
485	Nil	24/11	86pm	62pm	Slebe	68pm	+6
2½	Nil	10/12	¼pm	¼pm	Wentworth	¼pm	
15	Nil	27/11	3pm	5pm	Wescol	3pm	
375	Nil	25/11	47pm	38pm	Wilson Bowden	39pm	
152	Nil	14/1	23pm	13pm	Wyevale Garden Centres	13pm	-7

pm Price at a premium. For other notes please refer to the Guide to the London Share Service.

TRADITIONAL OPTIONS

- First Dealings Nov. 2
- Last Dealings Nov. 15
- Last Declarations Feb. 10
- *For settlement* Feb. 21

3-month call rate indications are shown in Saturday editions.

Calls: Aminex, Avesco, Baillie Gifford Tech., Bakyrchik Gold, Crockfords, Donelon Tyson, Lloyds Chemists, Mining & Allied, Tiphook. Put: Signet Call: Avesco.

FT-SE ACTUARIES INDICES

The FT-SE 100, FT-SE Mid 250 and FT-SE Actuaries 350 indices and the FT-SE Actuaries Industry Baskets are calculated by The International Stock Exchange of the United Kingdom and Republic of Ireland Limited. © The International Stock Exchange of the United Kingdom and Republic of Ireland Limited 1993. All rights reserved.

The FT-Actuaries All-Share Index is calculated by The Financial Times Limited in conjunction with the Institute of Actuaries and the Faculty of Actuaries. © The Financial Times Limited 1993. All rights reserved.

The FT-SE 100, FT-SE Mid 250 and FT-SE Actuaries 350 indices, the FT-SE Actuaries Industry Baskets and the FT-Actuaries All-Share Index are members of the FT-SE Actuaries Share Indices series which are calculated in accordance with a standard set of ground rules established by The Financial Times Limited and London Stock Exchange in conjunction with the Institute of Actuaries and the Faculty of Actuaries.

"FT-SE" and "Footsie" are joint trade marks and service marks of the London Stock Exchange and The Financial Times Limited.

LIFFE EQUITY OPTIONS

[illegible]

FT-ACTUARIES FIXED INTEREST INDICES

[illegible]

GA at £206m but shares fall

By Richard Lapper

GENERAL Accident, the Perth-based composite insurance company, provoked a negative response from the markets yesterday, despite reporting pre-tax profits of £206.1m for the first nine months of 1993.

The result, which compared with losses of £35.1m at the same stage last year, disappointed some expectations and the shares closed 33p lower at 658p.

"People have got used to forecasts being regularly beaten by GA. This is the first set of figures to disappoint," said Mr Steven Bird, analyst with Smith New Court, the securities house.

The fall was mainly due to market perceptions, added Mr Bird, pointing out that GA has been trading with the biggest premium to net asset value of any company in the insurance sector.

Mr Nelson Robertson, chief executive, said GA was "pretty pleased with the result. The market will have to make up its own mind."

The dominant feature of the result was a turnround in the UK where underwriting profits of £27.7m (£133.1m loss) were achieved by a combination of higher premiums and more selective underwriting.

Premiums have stopped increasing in motor and household insurance, but continue to rise by between 10 per cent and 15 per cent in commercial lines business.

Underwriting profits of £24m were recorded on personal lines business in the third quarter when GA posted an operating ratio (claims plus expenses as a percentage of premiums) of only 72.27 per cent on its homeowners' business.

Overseas, results in Canada were adversely affected by losses of £10m from rainstorms affecting Winnipeg and Manitoba in August.

Worldwide general business premium income amounted to £3.12bn (£2.86bn). Income from long-term business amounted to £607m (£555.4m). Investment income less interest on loans amounted to £354.1m (£329m). Underwriting losses fell to £173.3m (£374.4m), long-term business profits rose to £30.9m (£22.4m) and estate agency losses fell to £5.6m (£12.1m).

GA has transferred ownership of its life company from General Accident Fire and Life Assurance Corporation, the group's principle non-life insurance subsidiary, to the parent company.

The transfer will increase the reported current solvency margin worldwide by about eight percentage points.

Before the change solvency amounted to 52.7 per cent.

See Lex

European Motor hits £2.6m

By Paul Taylor

EUROPEAN Motor Holdings, the fast-growing motor retail group, yesterday reported sharply higher interim profits partly reflecting earlier acquisitions.

For the six months to September 30 they improved from £861,000 to £2.64m pre-tax.

Earnings per share grew to 4.9p (1.4p) and the interim dividend is lifted from 1.5p to 1.725p.

The acquisition of Wilcomatic, a leading UK supplier of automated vehicle washing machines in May last year, and the Mill Garages motor dealership group which was acquired in July 1992, helped boost turnover to £81.5m (£50.3m).

Mr Richard Palmer, chief executive, said the group had continued to consolidate the acquisitions made last year.

"We expected substantial progress from the businesses and I am pleased that our objectives have been achieved," he said.

The group ended September with net borrowings of £5.73m, little changed from the £5.56m in net borrowings at the end of March, representing gearing of 32 per cent.

Bluebird shares soar

By Catherine Milton

SHARES IN Bluebird Toys hit a new high for the year yesterday after the company said that pre-tax profits were likely to be "substantially higher" than current City forecasts of just over £5m.

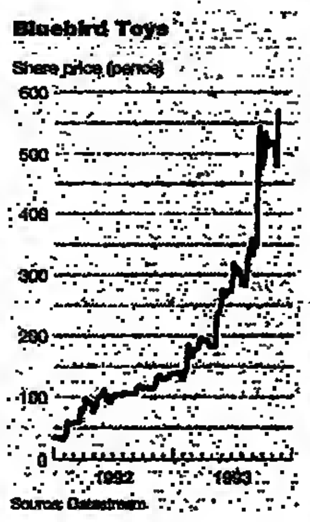
The shares, which hit a low of 26p in December 1990, closed at 570p, up 90p on the day.

In September, the company announced pre-tax profits of £1.99m (£234,000) for the six months to June. At that time Mr Torquil Norman, chairman, said he expected continued growth in the second half as well as a good result for 1993 as a whole.

Yesterday he said: "Now that the majority of our Christmas orders have come in, it is clear that the level of business, both in the overseas markets and the home market, will be such that the company's pre-tax profits are likely to be substantially higher than the current City expectations of just over £5m."

He said that sales of the company's miniature play sets, marketed around the Polly Pocket and Mighty Max characters, were particularly strong. He added: "This is not a bubble." The company has a new range planned for 1995.

Bluebird Toys



Source: Datastream

DTI distances itself from RICS' stance on QMH probe

THE DEPARTMENT of Trade and Industry yesterday distanced itself from a decision by the Royal Institution of Chartered Surveyors to suspend its inquiry into the widely divergent valuations on the assets of Queens Moat Houses, writes Andrew Jack.

The DTI said: "[RICS'] activities are entirely a matter for them."

The Institution decided on Friday that it would stop examining the circumstances behind valuations which differed by nearly £500m provided by Jones Lang Wootton and Weatherall Green & Smith.

QMH has said the valuations – which were delivered within five months of each other – had been commissioned using the same information and prepared on the same valuation basis.

The Institution's action followed legal advice and was prompted by the DTI announcement at the end of last week that it was launching an inquiry into QMH.

Its decision came in spite of assurances that it would seek urgently to assess the valuations and make a statement "in a matter of days".

The three members of the assets valuation standards committee, convened to consider whether there was a disciplinary case to answer, were informed after the decision had been taken.

Mr Richard Wright, a partner with lawyers Dibb Lupton Broomhead, said professional bodies typically did suspend inquiries once a DTI investigation had begun, but there was no legal reason to do so.

Brownsword in cards merger with Hallmark

By David Blackwell

CONGRATULATIONS - to Andrew Brownsword, thought to be one of the highest paid men in the UK, who is moving house.

Mr Brownsword, who started designing and publishing greetings cards from his kitchen table more than 20 years ago, has agreed to merge his group of companies with the UK-Ireland operations of Hallmark Cards, the world's largest greetings card publisher with annual sales of more than $3bn (£2bn).

In its last published accounts for the 13 months to January 1991 the Brownsword company, which owns the quintessentially English Gordon Fraser and Forever Friends, reported turnover of nearly £45m and pre-tax profits of £19.7m.

Hallmark Cards is one of the biggest privately owned companies in the US. It is based in Kansas City, Missouri, where founder Joyce Hall started selling postcards in 1910.

Mr Hall, who was named after a bishop and constantly received mail addressed to Miss Hall, died aged 91 in 1982, handing the business on to his son, Donald J Hall.

The company employs 700 artists and offers cards for every occasion – from birth to death, taking in all stages of modern American courtship, including a request for information on a partner's HIV status.

In the UK, Hallmark has 140 retail outlets known as Hall of Cards, where it offers its collection of brands including the Snoopy range. Mr Brownsword, 46, will assume overall responsibility for the combined group's operations in the UK and Ireland.

Neither Mr Brownsword or Mr Don Read, Hallmark UK/Ireland's group managing director, were available for comment yesterday.

But Mr Read said in a press statement that the merger "brings together two of the leading names in the greetings cards business and offers exciting growth prospects for the industry as a whole."

Currency gains and strong demand help De La Rue

By Andrew Bolger

STRONG demand for banknotes and currency gains helped De La Rue, the security printer and cash-handling machine group, increase pre-tax profits by 44 per cent to £66.1m in the six months to September 30.

De La Rue's shares rose by 18p to 772p after the group said it would pay a higher proportion of its dividend at the interim stage and lifted the payment by 56 per cent to 6p (3.85p).

Although the second half was unlikely to benefit from a similar move in exchange rates, the group said it was confident that profits before exceptional items would be not less than in the same period last year.

Mr Jeremy Marshall, chief executive, said: "The improved profitability of our security printing operations, the resilience of our payment systems sector – despite the slowdown in Germany – and the strong result from our associated companies have all contributed to this excellent result."

The group said security printing continued to benefit from strong demand for their products, with banknote production at record levels. Operating profits rose from £19.8m to £25.9m. The substantial improvement in margins on continuing operations from 17.8 per cent in the first half of last year to 24.8 per cent this year arose from an increase in the proportion of more profitable banknote business.

The company expected margins for the full year would exceed those of last year, but were unlikely to be maintained at the level achieved in the first half. Order books remained strong, and in the key businesses extended well into the next financial year.

Payment systems increased operating profits from £16.9m to £17.7m. The group said order books were also strong, although trading conditions in Germany remained difficult.

Group turnover was flat at £273.4m. Cashflow from operations of £45.6m (£37m) helped increase net cash to £201m, up from £171m at the year-end.

Mr Les Cullen, finance director, said De La Rue was less well placed to hand back cash to shareholders than Reuters, the international business information group, which had considerable unrelieved advance corporation tax. However, gross funds could still benefit from an ACT credit on any cash distribution and if this were to be time-limited by the budget, the group would examine the position.

Under FRS 3, which includes gains from the sale of discontinued operations, earnings per share rose by 46 per cent to 24.8p (17p). Using the definition of earnings suggested by the Institute of Investment Management and Research, which strips out certain non-recurring items, earnings grew by 30 per cent to 21p (16.2p).

See Lex

Ascot cuts deficit to £0.6m

By Catherine Milton

ASCOT HOLDINGS, the debt-laden property, brewing and leisure company formerly known as Control Securities, cut pre-tax losses from £63.5m to £555,0000 in the six months to September 30.

Profits in the comparative period were struck after a £51.8m write-down of assets.

The company finalised a financial restructuring in June in the wake of difficulties which began in 1991 when the Serious Fraud Office investigation into the Bank of Credit and Commerce International led to charges against Mr Nazmu Virani, who subsequently resigned as chairman and chief executive of Control Securities.

The shares were suspended and a review of asset valuations caused the company to breach borrowing covenants after substantial property write-downs.

Net borrowings at the half way stage stood at £197.5m (£334.3m) following 30 property disposals and the conversion of about a quarter of the company's £75m worth of Eurobonds into preference shares. The balance sheet shows a negative net worth of £18.6m (£31.8m).

The shares, which resumed trading on June 30, yesterday closed up ½p at 5¼p.

The year-end results were qualified. A review report on the interim figures by Pannell Kerr Forster, the auditors, noted that continued trading required the support of the company's bankers and other creditors.

As part of the financial restructuring the company's bankers have agreed, under their standstill agreement, to continue existing facilities to the company for a year to June 16 1994.

Turnover rose to £48.9m (£47.8m). Operating profits of £10m (£3.25m) reflected lower exchange losses of £3.45m (£12.6m) on the Swiss Franc bonds, improvements in the hotel and brewing operations and a decline in pubs and property.

Interest charges fell to £11m (£17.3m). Losses per share were 0.6p (16.7p).

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corresponding dividend	Total for year	Total last year
BAA	int	6.75	Jan 24	6.25	-	18
De La Rue	int	6	Jan 28	3.85	-	17
European Motor	int	1.725	Jan 11	1.5	-	3.5
Ferraris	fin	1.25†	Jan 20	1	2	1
FKI	int	1.5	Jan 24	1.2	-	3
Marshalls	int	1.25	Apr 6	1.25	-	4
VTR §	fin	2.56	Dec 22	2.2	3.75	3.4
Wood (SW)	int	0.75†	Mar 31	0.5	-	1.25

Dividends shown pence per share net except where otherwise stated. †On increased capital. §USM stock.

COMPANY NEWS: UK

All-round increases help FKI rise to £22m

By David Blackwell

IMPROVED performances from all five divisions helped FKI, the electrical engineering group, to a 41 per cent rise to £22.1m in pre-tax profits for the six months to end-September.

Mr Jeff Whalley, chairman, said yaaterday the figures showed the management's ability to deliver improved results "even in difficult conditions."

The profits improvement, up from last time's £15.6m, was achieved on turnover ahead some £62m at £394m. Exchange rate movements accounted for £1.8m of the profits increase and most of the increase in turnover.

Earnings per share rose from 2.56p to 3.52p and the interim dividend is raised from 1.2p to 1.5p. The shares closed up 5½p yesterday at 183½p.

Mr Whalley said the group had continued with its strategy of raising margins while turnover was expected to remain steady. The average margin rose to 6.5 per cent in the half from a previous 5.5 per cent, and he expected to hit the target of 10 per cent in 1995.

A further £3m was spent on restructuring in the half, and another £3m would be spent in the second half. By the end of the year the number of people employed by the group would be below 11,000, compared with 13,500 three years ago.

The group operates through ... divisions – hardware, materials handling, automotive, engineering and process control.

The first three operate primarily in the US, which accounted for 53.6 per cent of group profits in the half, against 39.5 per cent last time.

The materials handling division boosted operating profits by 83 per cent from £4.4m to £8.2m on turnover of £98.3m (£82m). The group attributed the rise to aggressive cost cutting, the discontinuation of unprofitable lines and productivity gains.

The decline in orders from British Coal had hit orders in the UK, but this had been anticipated and the group had won an order to China.

The automotive division lifted operating profits from £125,000 to £1.7m following a rationalisation programme in North America. Difficult market conditions in Europe had been offset by North American demand.

Operating profits in the hardware division rose to £7.9m (£6.7m). On November 5 tha group completed the £66.5m cash acquisition of Truth, the US manufacturer of hinges, operating and locking mechanisms for windows and doors. Mr Boh Beeston, chief executive, described the acquisition as "very exciting", and predicted a strong contribution to profits next year.

Gearing at the end of the half was 20 per cent (24 per cent). The Truth buy lifted it to 58 per cent, but 50 per cent was expected by the year end.

● COMMENT

FKI is delivering exactly what it set out to do when the new management team took over last year – to boost the group's profitability on flat turnover. This has been achieved through increased prices, production improvements and well focused capital expenditure. The business is now generating a lot of cash. Margins continue to improve, and while a target of 10 per cent by 1995 looks a shade optimistic, noone would now be surprised if the target was hit. The acquisition of Truth could add as much as 1p to earnings per share next year. An earnings forecast of 8p per share for the year gives the company a p/e of 22.5. This might lcok justified now, but the group will need to tread carefully along the acquisition path.

BAe sells data processing operations

By Alan Cane

BRITISH AEROSPACE is selling its deta processing operations to Computer Sciences Corporation, a US computing services company.

The contract, Europe's largest data processing outsourcing deal, is expected to be worth a minium of £900m over 10 years to the US company.

BAe said its costs savings would be "substantial" but declined to give exact figures.

Outsourcing, where an outside organisation takes over a company's computers and deta processing staff and provides an agreed level of service against an agreed fee, is growing in popularity as companies increasingly concentrate on core activities.

BAe said it would retain responsibility for its information technology strategy together with "sensitive" computer systems.

CSC would take control of the data centres, networks, applications software and distributed computing systems used by its business units including Military Aircraft, Royal Ordnance, British Aerospace Systems and Equipment, the headquarters organisation and the Sowerby Research Centre.

It is understood that the final short list for tbe contract included EDS of the US, a subsidiary of General Motors, and IBM. Last week EDS won the first of the government's "market testing" outsourcing contracts from CSC with the purchase of Dvoit, the data processing arm of the Driver and Vehicle Licencing Centre.

The BAe agreement dwarfs CSC's deal earlier this year with BHS, worth £100m over 10 years, but it is still smaller than its deal last year with General Dynamics of the US which is worth $3bn (£2bn).

Mr Ron Mackintosh, chief executive of CSC Europe, said he believed that the company's expertise in the aerospace business had been the key factor in winning the deal. CSC would carry out three months of due diligence with BAe; the contract was expected to be signed in the spring of 1994.

It will involve the sale of BAe'a data processing assets to CSC for about £75m. Some 1,250 staff will be transferred to CSC together with IBM, ICL and Digital Equipment computers from a variety of sites through the UK.

MSF, the technician's union, said BAe staff were "bitterly disappointed" hy the deal which would be a real threat to the security of the business.

Mr Ron Ralph, BAe officer for the north-west, said BAe had put short term financial considerations in front of long term security. MSF was concerned for the future of the staff who would be transferred and would be seeking early meetings with BAe and CSC.

BAe said yesterday it had "placed the highest priority on protecting the interests of the employees who will be transferred to CSC", and had emphasised the need to maintain equivalent terms and conditions together witb comparable training and development programmes and career opportunities.

Mr Mackintosh said redundancies would be "minimal". No decisions would be taken until the completion of due diligence.

CSC is a leading computing services company employing some 26,000 people with revenues of $2.5bn. It has been making assiduous efforts to grow in Europe through acquisition.

The BAe deal means it will expand from 750 people in the UK to over 2,000. It will have more than 3,000 staff in Europe. It expects revenues of about $150m from the first year of the BAe contract, giving it total revenues in Europe of over $400m.

Tepnel expects first product next June

By Peter Pearse

TEPNEL Diagnostics, which was floated on the USM almost 13 months ago, reported a maiden loss of £1.38m for the period from June 11 last year to this September. in the flotation prospectus, losses were forecast to be £1.28m.

Turnover was £31,000 and the loss included £931,000 of research and development expenditure.

Losses per share were 6p.

Sir David Trippier, wbo became executive chairman a mooth after the float, said that the first product using Tepnel's Daras technology for the screening of DNA patterns of specific diseases would appear in June within the life science/clinical research market.

Thereafter two other products using the technology would be launched into the infectious disease and cancer test market, and then by the end of 1995 Tepnel would introduce a product into the blood analysis market, which includes the Blood Transfusion Service.

Sir David said that Tepnel's competitors' technology was "behind ours for speed of testing and for quality, with no false negatives or positives". He said that contracts had been signed with Strato Consulting of London and Pathway Laboratory Services at Leicester University to make the kits.

The Faras (Food antibiotic residue analysis system) test range was behind schedule, as Sir David had announced at the interim stage, but was also forecast to be launched in June.

At the float, Tepnel said the milk industry would be the first market to be addressed because of the expected EU directive on milk testing. That legislation has now been delayed until next year, so the Faras delay has had little detrimental effect.

Sir David said the market was excited about Tepoel's "technology sharing" agreement with Drug Screening Systems Inc, because of its drug of abuse screening product, especially in the light of home secretary Mr Michael Howard's pledge to screen prisoners for drugs.

OBITUARY

Don Farrell

DON FARRELL, former chief snb-editor of tha Financial Times UK Companies Desk, died at the weekend after a short illness.

Don, aged 60, joined the FT in 1960 after working for Exchange Telegraph, the general and financial news agency.

He had to relinquish his position as chief sub after a heart attack in the early eighties and in the following years developed another important role on the paper. He became a mentor to many young journalists, being an expert on the nuts and bolts of profit and loss accounts and balance sheets. This knowledge he would freely impart in a patient and kind way, with time for everybody.

In his later years, Don became an inveterate traveller, going to America and Australia, with a renewed zest for life. He was an ardent sports fan, following Arsenal for football and Middlesex for cricket, and his interest in the pleasure aspects of life were wide-ranging, including a keen interest in motoring.

Don was a private man and an FT institution in his own right. He was due to retire at the end of the year and was looking forward to spending more time with his family. He will be sorely missed by us all.

RV

DCC may bring flotation forward

By Tim Coone in Dublin

PROFITS OF DCC, the private Dublin-based industrial holding company, rose by 59 per cent to I£8.31m (£7.8m) for the six months ended September 30. No turnover figure was given.

Earnings per share were 43.2p, up 52 per cent on last time's 28.5p.

Mr Jim Flavin, chief executive, indicated that the company's flotation plans may now be brought forward to next year, instead of 1995.

The company took a majority stake in Printech and Wardell Roberts at the end of last year and increased its holding in Fyffes to 11 per cent.

More recently it increased its stake in Flogas to 60.3 per cent and took a 29.9 per cent stake in Greenway Holdings, formerly Kingston Oil, the UK recycler of waste oils.

The company said that following the acquisition activity of the past year net debt stood at I£13.2m, being 13.9 per cent of shareholders' funds.

DCC is 95 per cent-owned by institutional investors, the two largaat being the Bank of Ireland and Irish Life.

COMPANY NEWS: UK

PowerGen moves into oil and gas production

By Michael Smith

POWERGEN, the electricity generator, yesterday made its first move into oil and gas production when it bought a 3.9 per cent stake in exploration blocks covering Liverpool Bay from Monument Oil and Gas.

Mr Simon Williams, an analyst with Kleinwort Benson Securities, said the investment made sense and should not worry shareholders concerned about diversification.

PowerGen knows the field well because it is contracted to *buy the gas for its Connah's* Quay generating plant, he said. "It is a toe in the water which involves limited risk."

Monument is redocing its stake to 20 per cent in the Liverpool Bay blocks, 110/13 and 110/15, through the sale.

The consideration is £45.5m at July 1 plus interest payments and up to £3m more over the next two years depending on exploration results.

Monument said the sale would release cash for investment and reduce future debt, without materially reducing exposure to Liverpool Bay.

PowerGen said the purchase, subject to government consent, would be funded from the company's own resources.

Mr Ed Wallis, chief executive, said the company was cash positive and would move only slightly into a negative cash position towards the end of the year.

The company's interest in Liverpool Bay began when it *contracted with Monument* and Hamilton Oil, operator and joint developer of the fields in the blocks, and others to buy gas for Connah's Quay in North Wales.

"We have said many times wa want to move upstream," said Mr Wallis. "Hamilton was the first company to get gas out of the North Sea. We are in safe hands."

Mr Wallis said Liverpool Bay and Connah's Quay would start to contribute to earnings in 1995 with the full benefit of both being seen from 1996 onwards. "At this time PowerGen will be the largest single consumer of gas in the UK, one of the largest gas markets in Europe," said Mr Wallis.

PowerGen expects to contribute about £40m to development costs of the Liverpool Bay field in the next year.

National Power, the UK's largest electricity generator, already has upstream assets through its 24 per cent stake in Seafield Resources and 10 per cent share of the Victor gas *field.*

PowerGen's other interests in the gas market include its Kinetica joint venture with Conoco which is the second largest distributer of gas in the UK with a claimed 25 per cent of the available market.

It also has a combined-heat and power subsidiary which recently signed a contract with Grovehurst Energy for the supply from e gas fired plant of 80MW of electricity and 200MW of steam to three Kent paper factories.

Marshalls rises 59% to top £10m

By Andrew Taylor,
Construction Correspondent

THE SHARE price of Marshalls, the Halifax-based building materials group, jumped by more than 8 per cent to 113p yesterday, after the company announced better than expected half year profits.

Pre-tax profits during the six months to the end of September rose by 59 per cent from £6.41m to £10.2m. Analysts forecasts had ranged from £7m to £9.5m.

The rise in the share price was helped by optimistic com*ments from Mr Andrew Mar*shall, chairman, about the trading outlook for building material sales.

He said the latest "results had been achieved within an economic climate that was gradually improving, particularly in housing." This had been partially counterbalanced by a further decline in commercial construction."

The improvement in the housing market had enabled the company to raise prices for some of its bricks and concrete products. Group turnover in the first half rose by 10 per cent from £93.2m to £102.2m.

The profits rise was also assisted by a reduction in interest charges from £1.67m to £1.09m. Earnings per share grew to 3.87p (1.85p) leaving an unchanged interim dividend of 1.25p, covered more than three times.

The number of bricks sold by the group in the first half rose from 77m to 87m. This was due, said Mr Marshall, to the housing market improvement as well as the elimination of the surplus capacity in the brick industry.

Prices of specialist engineering bricks had risen by about a fifth. The fall in the price of facing bricks hed been stemmed and in one or two cases had even seen a small increase, he said. Operating profits in the brick division had risen from £515,000 to £1.3m.

The concrete products division increased profits by 17.5 per cent from £7.5m to £8.9m. Prices for concrete products had become a little firmer over the summer, while volume sales had increased, particularly for concrete block paving which was winning market share from rival building materials.

Costs across the group had also been reduced to improve profitability, said Mr Marshall.

Analysts said yesterday that they were expecting pre-tax profits for the full year to rise to about £16m compared with £12.4m the previous year.

Biotrace International valued at £40m after placing at 130p

By Paul Taylor

SHARES IN Biotrece International, the South Wales-based biotechnology group which is being floeted on the Stock Exchange, were yesterday placed firm at 130p, valuing the company at £40m.

Allied Provincial Securities placed 7.15m shares, representing 23.2 per cent of the enlarged share capital, including some 4.6m shares placed on behalf of the company.

Biotrace was founded five years ago by Mr Ian Johnson, e former Welsh Water microbiologist, and Mr Colin Griffiths, an accountant.

The group manufactures a range of rapid testing instruments and chemical reagents to monitor hygiene levels and detect microbiological contaminants in the food and drink and other sectors.

Uni-Lite, the group's briefcase-housed portable product, provides e quick electronic test to check food industry hygiene on the production line – necessary to meet increasingly tough legislation and protect brand names and reputations.

Like the group's other products it uses luciferase – a natural phenomenon based on the enzyme which makes fire flies glow – which emits light when it comes into contact with a substance called Adenosine Triphosphate which is present in all living cells including bacteria.

An electronic instrument called a luminometer is then used to measure the light.

The group's rapid hygiene and microbial testing systems are mainly supplied to the international food and drinks industry although it has a growing number of customers in other sectors including cosmetics and pharmaceutical manufacturers.

After spending £299,000 on research and development, Biotrace incurred a pre-tax deficit of £113,000 on turnover of £1.71m in the 12 months to July 31.

Mr Griffiths, the finance director, expects the group to report a pre-tax profit in the current year.

Biotrace is raising £5.6m net of expenses through the placing which will mainly be used to increase merketing resources in overseas markets and in particular, to accelerate international market penetration of Uni-Lite.

Dealings in the shares are expected to begin on November 25.

NEWS DIGEST

Enlarged SW Wood at £0.75m

WITH "good performances" from all activities SW Wood, the specialist printing and packaging group, achieved a 77 per cent improvement in pre-tax profits to £750,000 for the six months to end-September.

The results of recently-acquired Albert Gait were included for some three months.

Turnover advanced from £4.9m to £6.27m. The acquisition added £1m to turnover and £135,000 to profits.

Tax rose to £247,000 (£140,000) and earnings emerged at 3.3p (2p). The interim dividend is lifted to 0.75p (0.5p).

The directors are proposing a name change to Wyndeham Press following the withdrawal from metal trading.

Throgmorton Prefd placing raises £59m

The placing of up to 60m ordinary shares in Throgmorton Preferred Income Trust closed at 3pm on November 12, 1993. Valid commitments had been received in respect of the entire placing.

The placing raised net proceeds of about £59.1m.

Ferraris rises to £681,000

Profits at Ferraris, the medical equipment and specialist engineering group, rose from £191,400 to £681,100 pre-tax for the year to August 31.

Turnover of continuing operations edged ahead from £10.4m to £10.6m – comparative figures have been restated. Earnings rose to 6.1p (1.2p) and a recommended final dividend of 1.25p doubles the total to 2p.

The directors said they looked forward to another year of "positive growth" in 1994. The shares rose 6p to 75p.

Arjo Wiggins takes Polish stake

Arjo Wiggins Appleton, the Franco-British paper group, has taken a majority stake in Nitech, a Polish paper merchant.

The acquisition is in line with Arjo's strategy to develop its activities in central and eastern Europe in order to maintain its position in the enlarged European market.

Standard Chartered Malaysian move

Standard Chartered is to incorporate its Malaysian operation as required by law, but said it does not see the move as good for Malaysia or the bank.

Malaysia is requiring all 16 foreign banks now operating as branches of their parent banks to locally incorporate their Malaysian business by the end of next September.

The government said the move was to level the playing field between foreign and local banks in terms of eccess to funds.

SWEB to build £10m elecoms network

Andrew Adonis

...UTH WESTERN Electricity ...erday announced plans to ...d a fibre-optic telecommu- ...ations network at a cost of ...east £10m.

...he regional network, to be ...cted on the company's elec- ...ity pylons, will be leased to ...er telecoms suppliers.

...WEB is the third of the 12 ...vatised regional alectricity ...tribution companias in ...gland and Wales to make a ...nificant investment in the ...ecoms sector.

...ince the end of the BT/Mer- ...y duopoly in 1991, many ...w operators have entered ... UK market.

...he privatised utilities, keen ... diversify and with regional ...rastructures in place, are showing particular intarest.

SWEB'a plans to hava a 250km cable from Bristol to Plymonth installed by next year. Energis, the National Grid's telecoms subsidiary to be launched next year, will be a customer. The initial investment will be £1.5m.

Mr John Seed, SWEB chief executive, said: "We think we can make money out of it, and are in a position to offer services not just to Energis, but to the cable TV companies and BT and Mercury."

Since it lacks a public telecommunications operator licence, SWEB cannot offer services directly, hut only through an operator with a licence.

Last month South Walaa Electricity launched a £200m joint venture with International CableTel of the US to build a cable TV and telephone network covering most of urban South Wales.

Yorkshire Electricity is engaged in a £40m joint venture with Kingston Communications, the independent operator in Hull, to provide a regional service. Yorkshire is also a shareholder in Ionica, the independent company planning to launch a national, radio-based telecoms network in 1995.

Separately, Yorkshire Water has taken a stake in a joint venture to huild a cable network for Yorkshire in partnership with Singapore Telecom and Générale des Eaux, the French diversified services group.

...heffield ...nsulations ...ives court ...ndertakings

...effield Insulatious Group's ...bsidiary, Sheffield Insula- ...ons, has given undertakings ... tha restrictive practices ...urt not to give effect to cer- ...in agreements which related ... the supply of insulation ...oducts in 1986.

These agreements were ...leged by the Office of Fair ...rading to have been in exis- ...ence for only a fairly short ...me at the end of that year ...nd were said to have ...ttempted to fix maximum ...iscounts for the snpply ...f certain insulation materi- ...ls.

Sheffield Insulations consis- ...ently denied that it had been ...arty to such agreement, but ...ccepted that there had been ...n agreement to continue the ...ong-standing and accepted ...ractice of quoting prices ...n the basis of variable ...iscounts from list ...rices.

The company said this was ...ot effective to limit in any ...ay the prices paid by the cus- ...omer and it was on this basis ...hat it gave undertakings to ...he court.

Kembrey £29,000 back in the black

THE ELIMINATION of losses from discontinned businesses helped Kembrey, the Sheffield-based electrical connector and accessory manufacturer, report a marked recovery at the interim stage.

Mr David Burnet, chairman, said the outcome for the six months to October 2 – pre-tax profits of £29,000 compared with losses of £304,000 – also reflected reduced borrowings and lower interest rates.

Interest payable dipped from £382,000 to £218,000; gearing at the period year was 93 per cent, down from 98 per cent in March.

Turnover totalled £9.37m, against £11.8m.

Earnings per share emerged at 0.11p compared with previous losses of 1.08p.

VTR more than doubled at £884,000

VTR, which provides post production facilities for television commercials, more than doubled pre-tax profits from £434,024 to £884,144 for the year to August 31. The result included a £110,915 profit from the sale of an outdated original edit suite.

Earnings per share grew from 3.5p to 7.7p and a recommended final dividend of 2.55p makes a total of 3.75p, against 3.4p.

A noticeable upturn in business for all group companies from the beginning of 1993 had continued – and strengthened – in the second balf, with profits up from £158,000 to £682,000.

Mr Philip Lovegrove, chairman of the USM-traded grouo, said the current year had started well and further progress was expected. Cash flow remained strong, but continued spending meant that gearing edged up to 76 per cent (72 per cent).

UK food industry margins narrow

By Guy de Jonquières, Consumer Industries Editor

OPERATING PROFIT margins of British food and drink manufacturers bave narrowed in the past year from 6.7 per cent to an average of 6.3 per cent, tbe lowest level since 1987, according to a survey.

The survey, by OC&C Strategy Consnltants, part of accountaots Coopers & Lybrand, also found that the indnstry's return on capital fell from 19.5 per cent to 17.9 per cent, the lowest since 1985.

OC&C said these declines followed a period of "remarkable resilience" during tbe recession, wben operating margins in the industry beld steady at 7.1 per cent on average for three years.

However, the overall figures masked wide variations. Companies witb annual turnover of less tban £100m fared worse tban bigger companies in 1992-93, achieving lower margins and return on capital and slower sales growth. About 40 per cent of bigger companies increased their margins.

That marked a reversal of the pattern in the mid-1980s, wben small food and drink companies performed more strongly than large ones.

Nonetheless, several leading branded food companies performed poorly in the past year. Cadbnry Schweppes' profit grew by less than 2 per cent, after rising 15 per cent annually in the two previous years.

The British subsidiary of Nestlé of Switzerland, tbe world's largest food manufacturer, suffered a 6 per cent fall in profit, wbile fierce competition from cheaper brands cut the profil of Heinz UK by 28 per cent.

By contrast, profit margins increased from 25 per cent to 28 per cent at Walkers, tbe leading UK potato crisp brand. It was the most profitable UK food company, followed by Kellogg UK, witb a 16 per cenl margin.

The industry's continental Enropean sales rose 10 per cent lo £3.7bn, more than a fifth of which was accounted for by Tate & Lyle.

Strong dollar brings substantial benefits

Sedgwick up to £63.6m

By Richard Lapper

SEDGWICK GROUP, tbe insurance broker, reported pre-tax profits of £63.6m for the first nine months of 1993, compared with £55.8m for the same period of 1992. Earnings per share for the period were 8.5p, compared witb a restated 7.8p.

Brokerage and fee income and expenses botb increased by 4 per cent, reflecting an improved underlying trend for the third quarter. Profits also benefited substantially from the strength of the dollar compared to 1992.

Mr Sax Riley, chief executive, pointed to a positive performance in the US wbere brokerage and fee income rose by 5 per cent "in spite of difficult market conditions".

On tbe other hand, conditions in the London market "remain difficult, shortage of capacity being tbe main feature," added Mr Riley.

Brokerage and fee income rose to £551.2m (£465.3m). A fall in investment income to £33.2m (£37.8m) was partially offset by a reduction in interest payable to £10.1m (£11.5m). Expenses rose to £509.7m (£435.7m).

Operating profit increased to £74.7m (£67.4m). Share of associates' losses increased to £800,000 (£700,000). Insurance underwriting losses amounted to £200,000, compared with profits of £600,000.

Noble raises further £32m for Lloyd's insurance market

By Richard Lapper

NOBLE & CO, tbe Edinburgb-based finance bouse, yesterday completed the placing of shares in its split capital Lloyd's investment trust, Premium Trust and Premium Uoderwriting, raising a further £32.3m in funds for the Lloyd's insurance market.

Some 25 per cent of the issue is available to the public on a clawback basis via an offer for subscription.

Martin Currie investment Management will manage tbe investment portfolio, wbile Wellington Members' Agency has negotiated capacity on 45 syndicates listed in the prospectus.

Noble last week increased tbe size of the offer to accommodate investor interest and Mr Tim Noble, chief executive, said be was "delighted" with the response from institutions.

PT will receive £19.8m of the issue and PU £13.2m. After deducting issue costs and a reserve for initial expenses, PU will lend £12.2m lo PT interest free for 10 years in return for an undertaking by PT to pledge a total of £31m to Lloyd's. This in turn will permit PU to support Lloyd's syndicates underwriting up to £62m in 1994.

Shareholders of PU will receive all underwriting profits for seven years, while PT will operate within the guidelines of an investment trust for tax purposes. Shareholders of PT will receive all the income and capital gains for 10 years on an initial portfolio of some £31m.

Shares will be offered as a unit at £10 apiece and capital raised on a 60/40 basis between PT and PU respectively. The minimum application will be for 300 units, or £3,000.

CI shares tumble on trading setback

SHARES OF CI Group, the steel and engineering combine, yesterday fell 7p to 14p on news of the planned sale of Société Metallurgique de Brevilly, its French-based steel rolling mill subsidiary, and a trading update.

The decision to dispose of SMB was taken in the light of the current downturn in demand in the European automotive industry. Some 70 per cent of SMB's output is directed to that market and for several years the offshoot has incurred losses. The sale will result in a balance sheet write-down of some £2.3m.

Group trading in the second half had recently shown a "marked downturn", directors said. Demand and margins for the group's products sold into the late-cycle construction industry had fallen in both the UK and continental Europe.

In order to reduce overheads a programme of redundancies had been implemented at a cost of £250,000. In addition increases in raw material prices had put further pressure on margins across the group.

Overall, the directors expected continuing operations to remain in profit for the year to end-January.

CML Micro ahead 10% at £1.65m

FIRM progress by the UK traffic and US semiconductor business enabled CML Microsystems, the USM-traded specialist electronic products group, to record a near-10 per cent rise in pre-tax profits to £1.65m for the half year ended September 30.

Sales rose 35 per cent to £8.42m and operating profits by 25 per cent to £1.25m. The pre-tax figure took account of a fall in interest income to £398,000 (£503,000).

Earnings per share showed an increase rising from from 5.36p to 5.74p.

Second-hand endowment trust launched

By Philip Coggan, Personal Finance Editor

A NEW investment trust which will invest in second hand endowment policies is being launched by Exeter Asset Management and Teather & Greenwood, the broker.

There is a growing market in with-profits endowment policies, with policyholders finding it more rewarding to sell their policies rather than to surrender them to the insurance company. Investors are attracted to these second hand policies by their relatively steady returns.

The Exeter Geared Endowment Policy Trust will have an unusual structure. It will have gearing, via a zero coupon debenture stock. Although this will not pay interest, the capital roll-up on the debenture will be an allowable expense for tax purposes.

As well as endowment policies, the trust will buy income shares of split capital investment trusts. It will be able to offset tax on this income against the roll-up on the zero, enabling it to receive the dividends gross. This income can then be used to fund the continuing premium payments on the endowment policies.

The fund managers expect a return of about 10.85 per cent per year over the trust's 15 year life. Further details will be available when the prospectus is published next week.

Baring Stratton lifts asset value

Baring Stratton, an international investment trust concentrating on capital growth, reported a net asset value of 238p per share as at September 30.

The figure compared with 215p at the trust's March year-end and 182p at end-September 1992.

Net revenue for the six months to September 30 dipped from £285,000 to £228,000, equivalent to earnings of 1.8p (2.26p) per share.

COMMODITIES AND AGRICULTURE

London cocoa market breaches £1,000 barrier

By Richard Mooney

THE LONDON cocoa futures market yesterday broke through the £1,000-a-tonne barrier for the first time in more than five years as technically-inspired buying by New York investment funds continued to fuel the recent uptrend.

Early trading saw the March position leap to £1,025 a tonne, but expectations of strong resistance between that price and £1,050 – a former support level – took the steam out of the market and the price dipped back below £1,000. It steadied again in late trading, however, to close at £1,013 a tonne, up £20 on balance.

Analysts were divided about the technical picture. Some saw it as unequivocally bullish, while others were concerned about the big "chart gap" left by the £66-a-tonne surge over the past week. And there were doubts about the timing of the move – when west African crops were just beginning to be harvested.

Unanimity remained, however, on longer term factors, which London trader GNI said pointed to the start of a bull market that could see prices tripling over the next three years. After two production deficits demand is generally expected to outstrip production for several more years.

India confident of near-record tea crop

By Kunal Bose in Calcutta

INDIA, THE world's biggest tea producer, is now confident of harvesting a crop of about 740m kg this year, up from 703.9m in 1992. The country's record crop of 741.7m was achieved in 1991.

By the end of September the harvest was already 36.5m kg ahead of last year's first nine months and industry officials say preliminary production reports for October are highly encouraging.

In the year to September north Indian production was 424m kg, 18.3m kg ahead of the corresponding period of the previous year, while south India's, aided by congenial weather, was more than 18m kg up at 130.16m kg.

The latest figures show that the shift in production emphasis from orthodox to CTC (cut, tear and curl) tea, demand for which is growing both inside and outside the country, is continuing. In the first nine months of the current year CTC production was up nearly 41m kg to 462m kg, but that of orthodox tea was down by more than 4m kg to 86m kg. Production of green tea was maintained at 4.4m kg.

By the end of September the government had issued export licences for 116m kg of tea, compared with 107m kg in the same period last year. While exports to the UK were maintained there was a strong revival in demand for Indian tea in Russia. Libya and Egypt also bought more. Poland, however, cut its purchases.

Industry officials point out that the current season is witnessing a strong growth in the domestic demand for tea, particularly for the better varieties. This explains the impressive rise in tea prices at the Calcutta auction. The average auction price of Assam CTC leaf so far is Rs52.15 (£1.11) a kilogram, compared with Rs41.43 a kilogram last year. The average for Assam orthodox leaf is Rs56 a kilogram, up from Rs43.82 in the same period last yea. Darjeeling tea is fetching an average of Rs96.38 a kilogram, compared with Rs83.87 last year.

Fresh price record set for Nymex seat

By Our Commodities Staff

ANOTHER RECORD has been set for the purchase price of a seat on the New York Mercantile Exchange, the world's largest energy futures market.

The $375,000 paid last Friday beat the previous record of $370,000, set only nine days earlier.

Mr R Patrick Thompson, president of the 816-seat exchange, said yesterday that the increase in Nymex seat values reflected "the overall growth in exchange volume evident last week in the establishment of an annual record for the 13th time in 14 years.

"We expect to see continued success and opportunities for our members in 1994, especially with the globalisation of our markets reflected in the early success of Nymex Access, our after-hours electronic trading system".

The Access system went live in London two weeks ago.

Platinum oversupply forecast to continue

By Kenneth Gooding, Mining Correspondent

WESTERN WORLD platinum supply this year will be well ahead of demand, according to Johnson Matthey, the world's biggest platinum marketing group.

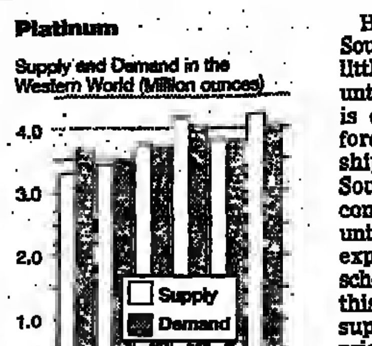
Nevertheless, it suggests that present prices closely reflect the fundamental market position and platinum's price during the next six months is likely to range between US$350 and $390 a troy ounce.

But the forecast holds only as long as there is no market-disturbing news from South Africa or Russia, the two biggest producing countries.

Platinum is heading for a supply surplus for the fourth successive year, JM says in a special interim report on the platinum group metals markets.

This year's surplus is predicted to be 190,000 ounces and will be much bigger than the 20,000 ounces seen in 1992 or the 120,000 ounces for 1991. But the market should be able to absorb it with little difficulty, suggests Mr Jeremy Coombes, general manager, marketing, of JM's precious metals division.

He points out that the platinum market, unlike many western base metals markets, is no longer in turmoil because of Russian exports. Russian export sales have been placed in the hands of one central organisation, Almaz, which has been selling platinum mainly on long-term contract at volumes similar to those in 1992. Mr Coombes predicts Russian platinum shipments to the west this year will fall by about 100,000 ounces, or 13 per cent, to 650,000 ounces.



He warns, however, that the South African producers, have little room left for further voluntary closures of capacity. "It is difficult for the mines to forego revenue by reducing shipments," he points out. South African producers will continue to increase output until 1997 when their present expansion programmes are scheduled to be completed. "If this aggravates market over-supply and causes further price weakness, the mines with the highest costs may not avoid closure or sale."

JM predicts that platinum demand will grow by 6 per cent, from 3.8m to 4.02m ounces, this year, thanks to increased consumption by the automotive and jewellery industries. Automotive demand will rise by 12 per cent to 1.74m ounces – 42 per cent of total demand – driven by the European Commission's regulations (which have required anti-pollution catalysts to be fitted to more cars) as well as higher car production on the American continent.

Platinum supply is forecast by JM to grow by 10 per cent, from 3.82m to 4.21m ounces. South African platinum shipments are set to reach a record 3.25m ounces this year, up by 18 per cent from 2.75m ounces, and represent 77 per cent of total supply.

Platinum 1993 Interim Review. Free from Johnson Matthey, 78 Hatton Garden, London EC1N 8JP, England.

Foreign mining companies hope to strike it rich in Cuba

Bernard Simon on attractions that make the Caribbean island 'a promoter's dream'

THE OFFICES of Joutel Resources in Toronto could easily be mistaken for a Cuban trade promotion agency. Glossy coffee-table books featuring the Caribbean island lie in the reception area. Geological maps of Cuba dot the walls, and pictures of Cuban government officials line the chairman's bookshelf.

The company last summer became the first western mining company to sign an exploration agreement with Geominera, the Cuban mining agency. Its exploration manager and another geologist will move there soon in the hope of striking rich on the three properties, totalling 1.2m acres, to which Joutel now has exploration rights.

Joutel is by no means alone. BHP of Australia, the UK's RTZ, and Inco, the Toronto-based nickel producer, are among others rumoured to be seeking a foothold in Cuba. US companies are barred from direct involvement by Washington's long-standing economic embargo.

Metall Mining, a subsidiary of Germany's Metallgesellschaft, has already agreed to spend C$1m (US$756,000) over four years to acquire a 25 per cent interest in one of Joutel's properties.

Another junior Canadian company, Caribgold Resources, also recently signed a joint venture with Geominera. As in the Joutel deal, costs will be equally shared by the Canadian and Cuban partners.

Summing up both the risks and rewards, Mr Barry Allan, mining analyst at Deacon Barclays de Zoete Wedd in Toronto, describes Cuba as "a promoter's dream". It is "genuinely an under-explored area", he says, while cautioning that "you're talking about very early grassroots exploration and that's a high-risk activity".

Mr Hugh Harbinson, Joutel's chairman, says that "our ambition is to find three deposits in three years." Joutel will be looking primarily for gold, but also for a variety of base metals. Under the agreement with the Cubans, the company has up to eight years to prepare a mine feasibility study. It plans to start an airborne geophysical survey in January.

Pointing to the geological map on his wall and to some colourful rocks on his desk, Mr Harbinson notes that Russian geologists have already done a good deal of preliminary exploration work in Cuba. Joutel and Caribgold each claim that several hundred mineral occurrences have been catalogued on their properties.

As further evidence of Cuba's mineral wealth, the Canadians point to three nickel mines in Oriente province, on the south-east tip of the island, which have been sizeable suppliers to the former Soviet Union.

The Canadian companies are being backed by a group of securities firms, including Gordon Capital and Thomson Kernaghan of Toronto and Yorkton Securities of Vancouver. They are in the process of raising C$4m, mostly from Europe, to finance Joutel's share of exploration costs. Caribgold recently raised C$8m.

Thomson Kernaghan described Cuba in a recent research report as potentially "one of the best new places to invest in Latin America". It cited the island's volcanic origin, educated population and the willingness of the Castro government to allow foreign investors to repatriate profits and dividends.

Mr Harbinson is unconcerned by the threat of political instability. He says that no other claims have been registered against Joutel's properties and "we're going on the assumption that any new government will honour our contracts".

Pakistani farmers prepare defence against increased tax burden

Farhan Bokhari reports on fears that existing indirect taxes may not be taken sufficiently into account

NOISY TRACTORS tow large trollies full of rice on a dusty road near 'Mandi Faizabad' – a farm market in central Punjab – as a group of peasants wait at a nearby traders shop, to be paid for their crops. It is harvest time in Pakistan, which for many is the time to be paid for up to six months of hard labour and grinding patience.

But a few hundred miles away in Islamabad, the newly elected government of Benazir Bhutto is reviewing recent proposals to tax farmers, a legacy of former prime minister Mr Moeen Qureshi. The government's decision on the issue would not only affect the wealthy landlords, but could also have repercussions on the poorest.

The Qureshi plan focuses exclusively on ending the tax immunity of the more prosperous farmers, defined as those owning between 50 and 75 acres of land, depending on its quality. The move is one of the key demands of foreign aid donors.

Some senior officials are convinced, however, that the proposals could eventually raise inflation rates in rural areas, which would force many peasants to either accept larger financial burdens or move to cities, intensifying Pakistan's growing problem of unplanned urbanisation.

There is a growing recognition among the wealthier landowners that the time has come to start paying such taxes, although many are convinced that if the indirect taxes they are already paying were fully appreciated the case against them would be weakened substantially.

"There's a perception that the farmer is non-tax paying. We want to see if this perception is true," says Mr Shah Mehmood Qureshi, the Cambridge-educated former finance minister of the Punjab and a member of the national assembly.

Mr Qureshi has been appointed to head a task force to examine the taxation proposals and report back to the government next month with fresh recommendations. The committee is trying, among other things, to evaluate the indirect taxes paid by farmers as a means of assessing the agriculture sector's overall contribution to national revenues.

"Of course, they have a point that we must pay our taxes, but the taxes that we are already paying must be taken into account when they make this point," argues Mr Afaq Tiwana, another landowner and member of the task force. He claims that, while direct taxes paid by farmers may not visibly appear large, the indirect and implicit taxes make them up to more than a due contribution to revenues.

The indirect and implicit taxes include local duties and the government's monopoly over pricing of grain at a level far below the international level.

Mr Iqbal Mustafa, a famous Pakistani progressive farmer, argues that up to 60 per cent of the country's indirect taxes are paid by farmers, which is far in excess of the agriculture sector's contribution of 25 per cent to the GDP. He quotes a recent study demonstrating that Pakistani farmers get a price up to 49 per cent below that of imported grain.

Despite the arguments from the farmers' lobby, Ms Bhutto's government is unlikely to scrap all of the new taxation proposals, because doing so, would invite fresh criticism from donor agencies. On the other hand, its also difficult to impose them in full because of concern over reaction from the newly-elected members of the assembly – at least 70 per cent of whom represent rural areas.

"We [the task force] are neither going to reject it [the proposal] outright, nor accept it in total," says Mr Qureshi.

Other senior government officials say that the taxation proposals may be softened by lowering the tax bands for farmers.

Some experts see the debate as an opportunity for donor agencies to re-assess their views on the issue.

"The World bank, the IMF and others have really not critically looked at the literature base and the vast amount of information which is available which clearly points to the fact that Pakistani farmers are already very heavily taxed," says Dr Parvaiz Amir, an eminent agricultural economist.

MINOR METALS PRICES

Prices from Metal Bulletin (last week's in brackets).

ANTIMONY: European free market 99.6 per cent, $ per tonne, in warehouse, 1,590-1,645 (1,590-1,640).

BISMUTH: European free market, min. 99.99 per cent, $ per lb, tonne lots in warehouse, 2.30-2.50 (same).

CADMIUM: European free market, min. 99.5 per cent, $ per lb, in warehouse, 0.40-0.45 (0.38-0.42).

COBALT: MB free market, 99.8 per cent, $ per lb, in warehouse, 11.10-11.50 (11.15-11.70); 99.3 per cent, $ per lb, in warehouse, 10.30-10.70 (10.30-10.80).

MERCURY: European free market, min. 99.99 per cent, $ per 76 lb flask, in warehouse, 90-108 (same).

MOLYBDENUM: European free market, drummed molybdic oxide, $ per lb Mo, in warehouse, 2.60-2.70 (2.55-2.65).

SELENIUM: European free market, min 99.5 per cent, $ per lb, in warehouse, 4.45-5.25.

TUNGSTEN ORE: European free market, standard min. 65 per cent, $ per tonne unit (10 kg) WO_3, cif, 27-39 (same).

VANADIUM: European free market, min. 98 per cent, $ a lb V_2O_5, cif, 1.35-1.45 (same).

URANIUM: Nuexco exchange value, $ per lb. U_3O_8, 6.90.

LME WAREHOUSE STOCKS (As at Monday's close) tonnes

Aluminium	-475	to 2,328,200
Copper	-8,375	to 580,425
Lead	-575	to 290,050
Nickel	-792	to 117,894
Zinc	+3,250	to 845,850
Tin	-90	to 19,555

WORLD COMMODITIES PRICES

MARKET REPORT

News of a substantial fall in US **COFFEE** stocks pushed futures prices higher in New York and enabled the London Commodity Exchange coffee contract to maintain its early strength. By the close the LCE's January futures position was quoted at $1,256 a tonne, up $29 on the day. Some London traders thought there might be a retracement, however. "There may be a little more room on the upside. But if the Brazilians do not buy much coffee tomorrow [for the export retention stockpile], we'll be struggling to maintain current levels," one said. At the London Metal Exchange confidence was undermined by what one dealer described as "a somewhat shaky technical picture" in the **COPPER** and **ALUMINIUM** markets, which both added to Monday's losses. **NICKEL** prices had been firmer but fell sharply in thin after hours trading to end at $4,620 a tonne in the three months delivery position, down $35 on balance. The three months **ZINC** price slipped below $950 a tonne, but was well supported near $940 and prices edged off the low to close at $945 a tonne, still down $7 on the day.

Compiled from Reuters

London Markets

SPOT MARKETS

Crude oil (per barrel FOB)(Jan)		+ or -
Dubai	$14.15-4.20z	+0.04
Brent Blend (dated)	$16.25-6.27	+0.05
Brent Blend (Jan)	$15.84-5.86	+0.03
W.T.I (1 pm est)	$17.09-7.11z	+0.05
Oil products (NWE prompt delivery per tonne CIF		**+ or -**
Premium Gasoline	$166-168	
Gas Oil	$172-173	+1.5
Heavy Fuel Oil	$61-62	-0.5
Naphtha	$148-150	+0.5
Petroleum Argus Estimates		
Other		**+ or -**
Gold (per troy oz)♣	$375.00	+0.75
Silver (per troy oz)♣	458.50c	+6.00
Platinum (per troy oz)	$376.75	
Palladium (per troy oz)	$130.35	
Copper (US Producer)	79.5c	-0.5
Lead (US Producer)	32.75c	
Tin (Kuala Lumpur market)	11.90r	-0.15
Tin (New York)	217.00c	-0.50
Zinc (US Prime Western)	Unq	
Cattle (live weight)†	118.37p	+0.19*
Sheep (live weight)†♠	85.92p	+5.15*
Pigs (live weight)†	69.83p	+0.60*
London daily sugar (raw)	$255.5	+1.1
London daily sugar (white)	$280.0	+0.5
Tate and Lyle export price	$282.50	+1
Barley (English feed)	Unq	
Maize (US No. 3 yellow)	£120.5	
Wheat (US Dark Northern)	£185.0	
Rubber (Dec)♥	60.00p	
Rubber (Jan)♥	60.25p	
Rubber (KL RSS No 1 Jul)	306.5m	
Coconut oil (Philippines)§	$460.0w	-5.0
Palm Oil (Malaysian)§	$342.5w	-10.0
Copra (Philippines)§	$310.0	
Soyabeans (US)	£202.0	+2
Cotton "A" Index	56.15c	+0.2
Wooltops (64s Super)	380p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. z-Jan. y-Dec/Jan. u-Dec. w-Nov/Dec ¶London physical. §CIF Rotterdam. ♦ Bullion market close. m-Malaysian cents/kg. ♠Sheep prices are now live weight prices * change from a week ago, provisional prices.

CRUDE OIL - IPE ($/barrel)

	Latest	Previous	High/Low	
Jan	15.79	15.88	16.04	15.79
Feb	16.04	16.12	16.28	16.04
Mar	16.24	16.30	16.45	16.24
Apr	16.39	16.46	16.60	16.39
May	16.70	16.58	16.73	16.64
Jun	16.65	16.72	16.83	16.65
Jul	16.83	16.79	16.83	16.79
IPE Index	15.44	15.54		

Turnover 16974 (34894)

GAS OIL - IPE ($/tonne)

	Close	Previous	High/Low	
Dec	164.75	163.25	164.75	163.50
Jan	163.50	162.00	163.50	162.50
Feb	162.00	161.50	162.75	161.75
Mar	160.75	160.50	161.50	160.75
Apr	160.00	159.50	160.50	160.00
May	160.00	159.50	160.25	159.75
Jun	160.00	159.75	160.50	160.00
Jul	161.75	161.75	162.50	161.75

Turnover 13151 (N/A) lots of 100 tonnes

SUGAR - LCE ($ per tonne)

White	Latest	Previous	High/Low	
Mar	275.50	274.30	276.90	274.00
May	279.30	276.80	279.40	277.30
Aug	283.00	281.20	283.00	281.00

Turnover 775 (1041) Paris- White (FFr per tonne): Dec 1641.01 Mar 1668.22

COTTON

Liverpool- Spot and shipment sales amounted to 36 tonnes for the week ended 12 November against 31 tonnes in the previous week. Slightly improved demand brought moderate purchases mainly in American descriptions.

No.7 RAW SUGAR - LCE (cents/lbs)

	Close	Previous	High/Low	
Mar	10.36	10.24	10.40	10.28
Jul	10.93	10.86	10.85	10.82
Oct	10.74	10.69	10.88	

Turnover 181 (65) lots of 50 tonnes.

COCOA - LCE (£/tonne)

	Close	Previous	High/Low	
Dec	967	950	981	940
Mar	1013	993	1025	983
May	1004	997	1024	984
Jul	1005	994	1022	991
Sep	1006	996	1024	989
Dec	988	972	1006	968
Mar	989	977	1004	969
May	993	981	1004	992

Turnover: 17018 (7050) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Nov 15 958.96 (925.53) 10 day average for Nov 16 910.94 (906.73)

COFFEE - LCE ($/tonne)

	Close	Previous	High/Low	
Nov	1239	1212	1240	1233
Jan	1256	1227	1260	1240
Mar	1228	1211	1231	1220
May	1214	1201	1219	1210
Jul	1213	1200	1217	1212
Nov	1208		1213	

Turnover: 4545 (1710) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Nov 15 Comp. daily 68.54 (67.53) 15 day average 69.11 (69.06)

POTATOES - LCE (£/tonne)

	Close	Previous	High/Low	
Mar	100.5		105.0	105.0
Apr	89.6	90.3	90.5	88.5

Turnover 80 (228) lots of 20 tonnes.

FREIGHT - LCE ($10/index point)

	Close	Previous	High/Low	
Nov	1300		1320	1300
Dec	1301	1315	1310	1300
Jan	1301	1315	1312	1301
Apr	1311		1325	1320
Jul	1195		1200	1195
BFI	1306	1315	1306	

Turnover 76 (15)

GRAINS - LCE (£/tonne)

Wheat	Close	Previous	High/Low	
Nov	96.75	97.40	97.25	97.00
Jan	98.75	99.55	99.10	98.55
Mar	100.65	101.40	101.00	100.90
May	102.65	103.35	102.85	102.50
Barley	**Close**	**Previous**	**High/Low**	
Jan	103.65	103.80	103.65	
Mar	105.50		105.75	

Turnover: Wheat 121 (208) Barley 5 (18). Turnover lots of 100 Tonnes.

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover 54,333 lots
Cash	1027-28	1043-44		1031.5-32		
3 months	1049-50	1064.5-65.5	1057/1046	1053.5-54	1049.5-50.0	265,295 lots
Copper, Grade A ($ per tonne)						Total daily turnover 44,565 lots
Cash	1518.5-19.5	1638-39	1623	1622-23		
3 months	1642-43	1661.5-62.5	1657/1640	1645.5-46	1641-2	295,631 lots
Lead ($ per tonne)						Total daily turnover 4,411 lots
Cash	399.5-400.5	400-01	399.5	399-99.5		
3 months	413.5-14	414-14.5	415/413	413-13.5	414-5	25,394 lots
Nickel ($ per tonne)						Total daily turnover 13,717 lots
Cash	4635-40	4585-95	4740/4730	4661-65		
3 months	4697-700	4645-65	4745/4620	4720-25	4620-30	48,519 lots
Tin ($ per tonne)						Total daily turnover 2,013 lots
Cash	4635-40	4650-65		4645-50		
3 months	4685-90	4700-05	4715/4685	4685-700	4690-5	14,466 lots
Zinc, Special High Grade ($ per tonne)						Total daily turnover 27,588 lots
Cash	928.5-29.5	934-35	930/929.5	929.5-30		
3 months	946-47	952-52.5	948-941	947.5-48	944.5-5.5	50,916 lots

LME Closing £/$ rate: SPOT: 1.4855 3 months: 1.4774 6 months: 1.4707 9 months: 1.4653

LME AM Official £/$ spot rate 1.4883

LONDON BULLION MARKET (Prices supplied by N M Rothschild)

Gold (troy oz)	$ price	£ equivalent
Close	374.80-375.20	
Opening	375.00-375.40	
Morning fix	375.25	252.062
Afternoon fix	375.00	151.862
Day's high	376.00-376.40	
Day's low	374.10-374.50	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	2.70	6 months	2.71
2 months	2.70	12 months	2.73
3 months	2.70		

Silver fix	p/troy oz	US cts equiv
Spot	457.75	307.40
3 months	461.15	311.40
6 months	464.65	316.10
12 months	473.30	323.35

GOLD COINS

	$ price	£ equivalent
Krugerrand	377.00-380.00	253.00-256.00
Maple leaf	386.50-388.90	-
New Sovereign	87.00-90.00	58.00-61.00

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Jan	Apr	Jan	Apr
1025	35	60	15	22
1050	22	45	28	32
1075	13	33	43	44
Copper (Grade A)	**Calls**		**Puts**	
1625	39	75	29	40
1650	27	61	42	52
1675	18	50	57	66
Coffee LCE	**Jan**	**Mar**	**Jan**	**Mar**
1150	115	119	9	43
1200	77	90	21	64
1250	55	68	48	90
Cocoa LCE	**Dec**	**Mar**	**Dec**	**Mar**
875	92	150	-	12
900	67	130	-	17
925	42	112	-	24
Brent Crude	**Jan**	**Feb**	**Jan**	**Feb**
1600	43	-	45	62
1650	21	44	-	76
1700	11			

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Nov	374.1	375.2	0	0
Dec	374.6	375.7	376.8	374.4
Jan	375.6	376.7	0	0
Feb	376.6	377.7	378.6	376.4
Apr	378.4	379.5	380.6	378.4
Jun	380.3	381.3	381.8	380.3
Aug	382.1	383.1	0	0
Oct	384.0	385.0	0	0
Dec	386.0	387.0	387.4	386.0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Nov	383.0	383.0	0	0
Jan	378.8	379.8	380.0	377.0
Apr	380.5	381.3	381.3	380.0
Jul	381.3	382.0	382.5	380.0
Oct	382.8	383.5	0	0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Nov	455.5	455.0	0	0
Dec	456.0	455.5	461.0	455.0
Jan	457.4	456.9	0	0
Mar	460.7	460.2	466.0	460.0
May	463.7	463.2	468.5	463.0
Jul	466.7	466.2	468.5	466.0
Sep	469.9	469.4	472.0	472.0
Dec	474.6	474.1	476.0	476.0
Jan	475.7	475.2	0	0
Mar	479.8	479.3	482.0	478.5

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Nov	73.35	74.10	73.40	73.30
Dec	73.35	74.10	73.75	73.00
Jan	73.55	74.30	73.85	73.70
Feb	73.35	74.60	74.20	74.20
Mar	74.15	74.90	74.55	73.85
Apr	74.40	75.15	74.80	74.80
May	74.60	75.35	74.96	74.40
Jun	74.80	75.55	75.10	74.80
Jul	75.05	75.80	75.60	75.00
Aug	75.30	76.05	76.00	75.80

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Dec	16.74	16.79	16.95	16.64
Jan	17.05	17.08	17.27	16.89
Feb	17.30	17.31	17.50	17.24
Mar	17.52	17.51	17.50	17.48
Apr	17.65	17.65	17.83	17.65
May	17.79	17.80	17.95	17.79
Jun	17.89	17.94	18.05	17.89
Jul	18.08	18.05	18.11	18.08
Aug	18.21	18.17	18.21	18.21
Sep	18.29	18.29	18.45	18.29

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Dec	51.05	51.27	51.50	50.85
Jan	51.95	52.11	52.60	51.75
Feb	52.35	52.56	53.00	52.25
Mar	51.95	52.16	52.65	51.80
Apr	51.40	51.51	51.95	51.40
May	50.70	50.86	51.05	50.70
Jun	50.65	50.51	50.90	50.65
Jul	50.90	50.71	50.90	50.90
Aug	51.26	51.26	0	0
Sep	52.65	52.21	52.75	52.75

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Dec	1214	1199	1226	1180
Mar	1250	1252	1278	1234
May	1261	1264	1268	1249
Jul	1272	1272	1300	1270
Sep	1283	1283	1303	1287
Dec	1298	1298	1318	1297
Mar	1300	1300	1320	1277
May	1314	1314	0	0
Jul	1329	1329	0	0
Sep	1341	1341	0	0

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Dec	75.65	73.85	75.95	74.90
Mar	78.65	76.80	78.95	77.95
May	80.25	78.40	80.40	79.65
Jul	81.50	79.70	81.75	80.70
Sep	82.85	81.45	82.90	82.60
Dec	85.40	83.85	0	0
Mar	87.65	86.50	87.50	87.50

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Mar	10.14	10.05	10.20	10.04
May	10.26	10.26	10.42	10.26
Jul	10.40	10.32	10.45	10.32
Oct	10.37	10.29	10.40	10.30

COTTON 50,000 lbs; cents/lbs

	Close	Previous	High/Low	
Dec	58.60	58.76	59.20	58.55
Mar	60.57	60.75	61.15	60.53
May	61.77	61.92	62.15	61.70
Jul	62.85	63.00	63.30	62.90
Oct	63.97	63.30	63.30	63.05
Dec	63.00	63.15	63.10	62.80
Mar	63.87	63.87	0	0
May	64.12	64.35	64.00	64.00

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Nov	108.75	110.50	110.25	107.00
Jan	109.75	113.20	112.75	109.55
Mar	112.00	115.05	114.60	111.60
May	113.50	117.25	116.60	113.50
Jul	115.00	118.75	0	0
Sep	116.50	120.25	0	0
Nov	114.50	117.25	0	0
Jan	114.50	117.25	116.50	116.50

INDICES

REUTERS (Base: September 18 1931 = 100)

Nov 16	Nov 15	mnth ago	yr ago
1815.5	1810.7	1802.6	1672.3

DOW JONES (Base: Dec. 31 1974 = 100)

	Nov 15	Nov 12	mnth ago	yr ago
Spot	122.99	N/A	121.72	118.12
Futures	128.68	N/A	123.83	118.20

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Nov	674/2	679/4	680/4	673/2
Jan	681/4	686/6	688/6	680/6
Mar	687/0	692/0	694/2	686/4
May	689/0	693/4	696/0	688/4
Jul	690/2	694/4	696/6	689/0
Aug	686/4	691/0	692/4	686/6
Sep	659/4	662/4	664/0	659/0
Nov	637/2	639/6	640/4	637/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Dec	25.59	25.93	25.91	25.51
Jan	25.64	25.99	25.96	25.56
Mar	25.74	26.11	26.08	25.67
May	25.72	26.12	26.07	25.66
Jul	25.65	26.10	26.00	25.62
Aug	25.42	25.84	25.80	25.40
Sep	24.83	25.15	25.20	24.80
Oct	24.26	24.50	24.60	24.25

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Dec	210.1	211.5	211.9	209.0
Jan	207.9	208.9	208.5	207.0
Mar	207.1	207.8	208.4	206.5
May	206.3	206.7	207.7	205.8
Jul	206.6	206.7	207.8	205.8
Aug	205.2	205.3	206.0	205.0
Sep	202.2	202.0	202.9	202.0
Oct	198.3	199.0	0	0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Dec	279/0	279/0	280/6	278/2
Mar	286/2	286/6	288/4	285/4
May	288/6	289/6	291/4	287/6
Jul	288/0	289/2	291/0	287/0
Sep	271/4	273/0	274/0	271/4
Dec	257/4	258/6	259/0	257/0
Mar	263/4	264/0	264/4	263/2

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Dec	349/6	345/4	350/0	345/2
Mar	346/6	343/6	348/0	343/6
May	334/4	331/0	335/6	331/4
Jul	325/2	322/4	327/0	323/0
Sep	330/2	326/6	330/2	330/0
Dec	338/0	335/4	338/0	335/4
Jul	323/0	322/4	0	0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Dec	73.400	73.675	73.700	73.225
Feb	74.175	74.225	74.400	74.000
Apr	76.150	76.150	76.350	76.050
Jun	73.000	72.825	73.275	72.900
Aug	71.800	71.575	72.150	71.800
Oct	72.150	71.825	72.200	71.975
Dec	73.100	73.100	73.250	73.100

LIVE HOGS 40,000 lb; cents/lbs

	Close	Previous	High/Low	
Dec	45.775	46.025	46.300	45.625
Feb	47.800	48.075	48.300	47.450
Apr	47.825	47.700	47.900	47.450
Jun	53.050	53.000	53.400	52.900
Jul	52.300	52.175	52.600	52.050
Aug	51.200	51.075	51.550	51.105
Oct	47.150	47.100	47.280	47.100
Dec	48.100	48.075	48.250	47.850

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Feb	53.400	55.400	54.800	53.400
Mar	53.400	55.400	55.000	53.425
May	54.000	56.000	56.000	54.000
Jul	54.700	56.700	55.700	54.700
Aug	53.725	55.500	54.300	53.850

Utilities take up the torch in privatisation race
Page 3

FINANCIAL TIMES SURVEY

HUNGARY

Wednesday November 17 1993

The top 50 foreign investment commitments
Page 4

As the people of Hungary prepare for an election, they can ponder the costs of a turbulent period of change in their country. The coalition government has achieved peace, liberty and prosperity for some, but the economy is still struggling. **Anthony Robinson** reports

A fraught period ahead




Jozsef Antall,(left) the Hungarian prime minister faces a tough electoral fight against his nationalist rival Istvan Csurka and the socialists led by Gyula Horn. Waiting in the wings is Viktor Orban (right), leader of the Young Democrats (Fidesz)

HUNGARIANS *go to the polls* in six months' time to give *their verdict* on a unique phenomenon in post-communist Europe – a democratically-elected coalition govarnment which will have served its full four-year *parliamentary term.*

In the run-up, the electors of *this small*, landlocked country of 10m people, who share an impenetrable language and a thousand years of settlement in the Carpathian basin, are pondering on the *achievements* and costs of a turbulent period of change.

The Soviet army, which re-invaded the country in 1956 to suppress Hungarian aspirations for freedom and democracy, has quietly *departed*. The cautious aconomic reforms begun more than 20 years ago by the late Janos Kadar's "goulash communist" regime have been used as a springboard for the transition to a fully-fledged *market economy.*

The crucial decision to honour the burdensome foreign debts inherited from the communist years has helped give foreign investors the confidence to inject $5.5bn of equity capital and continue buying Hungarian government bonds – $4bn worth in 1993 alone.

Above all, the three-party coalition government led by Mr *Jozsef Antall, the historian-archivist* turned politican who led his Hungarian Democratic Forum (MDF) *to victory* in June 1990, has maintained internal stability and proceeded with building the institutions required to give substance to democracy.

Hungary was in many ways better prepared than most in *the region for a system change.* But breathing life into institutions such as parliament and the legal system, and removing the habits of thought control and mind manipulation in other crucial areas such as the *media, has been neither easy* nor yet complete. The government'a controversial closure of the second channel TV news programme has been widely interpreted as an attempt to stifle criticism in the run up to elec*tions, and as* a *sop to right* wing nationalists whose voice in the state-run media has been increased by personnel changes.

The key institutions managing privatisation and macro-economic *policy – the State* Property Agency (SPA), the National Bank of Hungary and AV RT, the recently formed state asset management corpo*ration*, also have their *critics*. But the dedicated, high quality officials who run them are impressively capable and have gained valuable experience over the past four years.

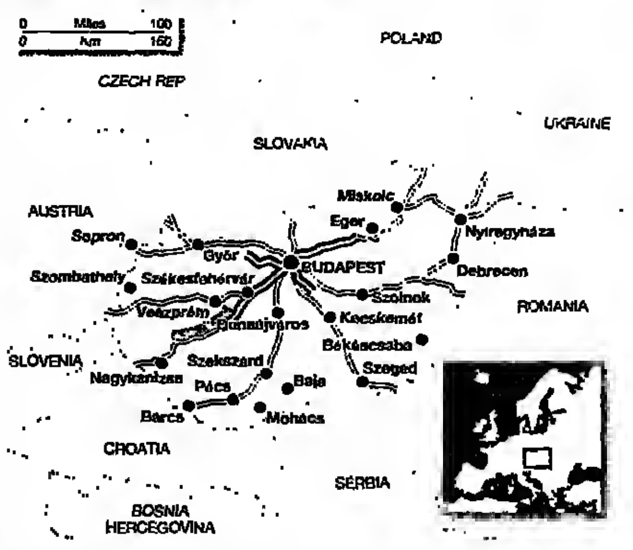
Hungary has also been fortu*nate in the quality of its for*eign investors. It has had its carpet-baggers, and would-be *small*, investors who have fallen foul of the bome-grown Mafia.

But Hungary has also welcomed a host of top rank multinational corporations, including Alcoa, Electrolux, General Electric, General Motors, Ford, Suzuki and Unilever. All are intent on *integrating their new* Hungarian subsidiaries into their existing global operations and bringing invaluable know-how, technology and managerial expertise in their wake.

Expatriates of Hungarian ori*gin have also played a valuable* role in trying to re-tie links with a severed past. An outstanding example is the way Mr George Lang, the famous American-Hungarian restaurateur, and his partner Mr Ronald Lauder, bava recreated Gundel's rastaurant, the pre-war Mecca of Hungarian high-cuisine.

After a shaky start when Croatia received guns illegally from Hungarian sources, careful diplomacy has kept Hungary free from entanglement in the bitter ethnic wars across its sonthern border in former Yugoslavia.

Budapest has also sought to defuse potential conflicts over dams, frontiers and ethnic minorities which have arisen



with the birth of independent Slovakia and outbreaks of intolerant nationalism in Romania, another neighbour with a sizeable ethnic Hungarian minority.

Peace, liberty and moderate prosperity are respectable achievements. But how much *thanks the ruling parties* – the MDF, the Christan Democrats and the now bitterly divided Smallholder peasants party – receive from the electorate next May remains to be seen.

The coalition's original game plan called for an economic upswing to begin in 1993, leading to re-election on a rising and palpable tide of economic well-being. Instead, the economy is still struggling, like the heavily laden barges which push upstream against the current of the River Danube as it flows under the bridges of Budapest.

Some of the problems are home-grown. The disappointing pace of privatisation has left the bulk of big enterprises still in state hands. The losses accumulated by the state sector, and bad loans granted to the private sector by inexperienced bankers, have brought many state banks to the point of technical insolvency. Large financial infusions are needed to bring their capital adequacy ratios up to the minimum internationally required levels.

At the same time unemployment, which has stabilised at around 13 per cent of the workforce, has raised demands on a state budget already burdened by heavy pension and other commitments. The net result is a budget deficit which will require politically painful pruning if the 1994 public-sector shortfall is to be kept under the 5.5 per cent of GDP ceiling required by the standby agreement signed with the International Monetary Fund in September.

Government spending and a 25 per cent fall in the value of exports has already led to tensions in money markets and a shock 5 per cent rise in central bank lending rates in recent weeks. Economists fear that the private sector, including the parallel "black economy", risks being crowded out of the market for working and investment capital. Starving the private sector would inevitably depress private sector investment and future job creation.

Not all the economic and political woes are policy-linked. The sharp decline in exports is partly a sign of an over-valued currency, and has been rectified by recent devaluations of the forint.

But it also reflects the recession in western markets, especially the all-important German market, and the impact of another year of severe drought on farm output. Equally important, however, is the widespread confusion over land ownership caused by the break-up of the old state co-operatives.

Regional instability is another negative factor. The UN-imposed trade embargo on former Yugoslavia has cost Hungary an estimated $1bn. The embargo has not only decimated a once flourishing bilateral trade but hindered passage along the Danube and cut income from transit traffic to and from southern Europe and the Middle East. Tourism receipts have also lost their buoyancy.

Without the hoped-for boost from economic recovery the governing coalition faces a tough fight against the Socialist Party, led by Mr Gyula Horn, whose prospects for emerging as the largest single party have soared after the recent electoral come-back of the former communists in Poland.

Even so, it is unlikely that the socialists, with few allies in sight, would be able to form the next government.

More probable is some form of coalition between the MDF and Fidesz, the Young Democrat party led by Mr Viktor Orban, after elections which are likely to see a substantial shift in allegiances and voting patterns compared with 1990.

Such an outcome, leaving both the right wing nationalists and socialists in opposition alongside the probably reduced liberal Free Democrats, would confirm Hungary's attachment to moderate, democratic government and its commitment to market reforms. But six months is a long time in politics, and they promise to be somewhat fraught.

Nicholas Denton assesses the mood as Hungarians wait for a turnaround in the economy

Poised on the verge of a recovery

HUNGARIANS have baen waiting for an economic recovery for the past three years and each year the turnaround has been postponed. Finally, industrial activity has begun to revive – but the upturn is asthmatic and its sustainability is questionable.

Manufacturing output, excluding the troubled food sector, is 7 per cent higher than a year earlier. But this growth sits uncomfortably with a 20 per cent dip in export volume and a fast deteriorating current account.

Production and exports are now coming on stream from the General Motors, Suzuki Motor Corporation and Ford Motor Company car assembly and components plants announced in 1990 and 1991.

But manufacturing has not been able to lift the economy as a whole. Drought and confusion over property rights have afflicted agriculture, the pride of Hungary's former communist regime. Cereal production has fallen 20 per cent from last year's already depressed level.

The recession is likely to continue. The finance ministry projects a decline in gross domestic product of 1-3 per cent for 1993 and stagnation next year, leaving output 20 per cent below the 1989 level.

The real situation is somewhat brighter, tha statisticians cannot reach a burgeoning black economy, nor fully account for the quantum leap in the quality of goods produced and bought.

"Something is missing," says Mr Gyorgy Suranyi, managing director of Central European International Bank. "The situation is not good, but it is much better than is indicated in the statistics."

One rule of thumb is to add 2 per cent a year to the GDP figures to take account of unrecorded activity. Other indicators also point to a recovery, albeit frail and patchy. Employment appears to have turned the corner. The jobless rate, after rising inexorably from the start of the decade, peaked in February at 13.6 per cent and has settled at about 13 per cent.

But the source of the industrial recovery remains more than a little mysterious. Stockbuilding appears to be absorbing some production after companies slashed inventories from the artificially high communist levels.

More important, statisticians may be missing a rebound in consumption. Some companies report surprisingly resilient consumer demand. Electrolux, owner of Hungary's Lehel refrigerator maker, feels that purchases began to revive around the middle of last year.

Mr Werner Riecke, head of the monetary policy department of the National Bank of Hungary (NBH), confirms "we now have the feeling that consumption and domestic use are greater than expected".

In financial markets, low deposit rates in the first half of the year induced households to shift to spending from saving. The savings ratio has fallen to about 7 per cent this year, down from 15.8 per cent in 1991 and 13.3 per cent in 1992.

But a consumer-led recovery may not be sustainable. The economy is already coming up against balance of payments constraints. Exports are down mainly due to recession in Germany, Hungary's largest export market, and in the rest of continental Europe, while imports are about 10 per cent higher.

Food exports have also fallen precipitately, running 38 per cent lower than last year; western European protectionism has not helped.

Hungarian officials also confess that some exporters may have been producing at a loss and dumping in the expectation of a bail-out by the state. Last year's spate of bankruptcies put paid to that hope and forced companies to reconsider unprofitable exports.

Budapest's exchange rate policy has also left the forint overvalued and inhibited exports, according to the latest report on Hungary by the Organisation for Economic Co-operation and Development. Hungary pursued a strategy of real appreciation of the national currency until last year. But NBH has made five adjustments in 1993, cutting the forint by 13.4 per cent.

The central bank, which managed to borrow a record $4bn this year through international bond issues, now reckons on a current account deficit of about $2.5bn for the year, compared with a surplus of $324m in 1992.

But Hungary's gross foreign debt, the highest per capita in eastern Europe, is now growing again and stood at a record $23.8bn in May, compared with $21.8bn at the start of the year. The NBH fears that funds will be more difficult to raise in 1994, an election year.

Twinned to Hungary's growing current account shortfall is a hefty public-sector deficit. Most of the deterioration in the government accounts is a straightforward concomitant of recession, Mr Almos Kovacs, deputy state secretary at the finance ministry, says public financee have performed no worse than those of western countries afflicted by recessions milder than Hungary's.

Hungary's public-sector deficit deepened from 1.1 per cent of GDP in 1990 to a forecast 7 per cent this year. In the sama period, Finland'a deficit swelled by 14 per cent of GDP and Sweden's by 18 per cent of GDP.

The state is also gathering in the quasi-fiscal deficits which have accumulated at state-owned companies and banks. Bankruptcies and defaults by borrowers have wiped out the capital of the largest commercial banks and the burden of recapitalisation has fallen on the state budget.

Tha latest agreement with the IMF, concluded in September, calls for Hungary to rein in the public-sector deficit to 5.5 per cent of GDP in 1994. This will require spending cuts difficult to implement in the run-up to elections.

The government's borrowing requirement is putting strong upward pressure on interest rates and threatening to "crowd-out" private borrowing. Treasury bill yields, which fell as low as 13 per cent earlier this year, have shot back up to 23 per cent.

Faced with twin deficits in the current account and the budget, the central bank has tightened monetary policy. The NBH raised its key overnight open-market rates from 17 to 22 per cent between July and September. "The move is absolutely justified," says Mr Suranyi. "But it's about a year too late."

Mr Peter Bod, NBH chairman, says that the central bank will wait and see before acting again.

Bnt monetary tightening may be as difficult to sustain politically as the current account is becoming economically unmanageable. The NBH, formally independent since the end of 1991, has come for the first time into open conflict with the finance ministry.

"We are now saying that we cannot refinance our foreign debt with such bad current account numbers," says Mr Riecke. "But they [the finance ministry] say they cannot finance the budget deficit through domestic savings."

The danger now is that interest rate rises may snuff out any recovery.

Meanwhile, Hungary's politicians are learning the dynamics of political and economic cycles the hard way.

"There are some people within the government who would definitely like to stay the course," says one close western observer. "The others think: to hell with it, we've got an election to fight. The temptation is there to let go."

The Federation of Young Democrats, a liberal party with an acute political sense, last month pnt asida economic orthodoxy and launched a programme for "modernisation and growth".

KEY FACTS

Area	93,033 sq km
Population	10.32m
Head of state	Arpad Goncz
Currency	Hungarian forint (Ft)
Official exchange rate	1991 $1=74.74Ft; 1992 $1=78.99Ft

ECONOMY	1991	1992
Total GDP ($bn)	30.9	35.3
Year on year % growth in		
Real GDP	-11.9	-5.0
Private consumption	-5.3	-2.6
Public consumption	-5.8	-2.5
GFCF	-11.8	-7.5
Stock building	-3.0	-4.5
Exports	-15.3	1.5
Imports	-8.8	-7.5
Consumer prices	35.0	23.0
Gross wages	27.5	24.0
Total % change 1988-92	Output	Emp[1]
Total industry	-42.2	-30.9
Engineering	-60.0	-38.2
Mining	-39.7	-47.9
Electrical energy	-16.8	-7.3
Govt finances as % GDP	1991	1992
Expenditure	58.7	60.5
Revenue	56.0	52.4
Balance	-2.7	-8.0
Reserves minus gold ($bn)	4.0	4.4
Total external debt ($bn)	22.8	21.6
Unemployment rate (%)	7.5	12.2
Balance of payments		
Current account balance ($m)	270	318
Exports ($m)	9,254	10,027
Imports ($m)	9,066	10,083
Trade balance ($m)	187	-55
Main trading partners (%) [2]	Exports	Imports
Germany	27.8	23.6
Austria	10.7	14.0
Italy	9.5	6.3
UK	2.0	2.9
EU	49.5	42.4

1 Employment; 2 Percentage share in 1991. Source: OECD

Profile: GRAPHISOFT

Keyed up for designs

DON SERRAT, a young but normally hard-headed US investment banker is enthusiastic about Graphisoft, a little Hungarian software company for which Creditanstalt Securities is trying to raise equity finance.

Gabor Bojar, Graphisoft's president, has gone from underpaid mathematician at Hungary's Institute of Geophysics to bead of a world-beating producer of architectural design software.

In 1981 he took advantage of Hungary's early liberalisation of private business to set up Graphisoft and began writing programmes for three-dimensional piping design. "I discovered tbat I liked business," says Mr Bojar. "No-one had ever indicated that business was fun."

Funding initially came from his wife, a doctor, wbo subsidised him and his partner with $100 each a month.

Graphisoft's big break came at a trade sbow in Municb. Apple Computer of tbe US liked Graphisoft's 3-D design programme, gave tbe Hungarians $30,000 and some computers, and pushed the company towards the architectural market.

The offspring was ArchiCAD, a user-friendly and powerful tool for architects and builders using Apple Macintosh computers. Tbe programme has won the custom of companies from Disney to Renault. ArchiCAD has expanded to leadersbip of the segment witb a worldwide market sbare of about 25 per cent.

That makes Graphisoft a big fish, albeit in a small pool. Graphisoft's software sales may have grown nearly five times over the past five years but in 1992 they were still only $6.2m.

Still, that is just the start. Graphisoft is poised to diversify from the Apple platform, launch ArchiCAD for Windows and enter the vastly larger market of IBM-compatible machines. The company expects revenues from software sales to grow five times again within three years and that could be a cautious forecast.

"It's like pressing the hyperspace button on a spaceship," says David Marlatt, general manager for Graphisoft in the US, of the entry into the wider PC software market. "It's a sure winner, as sure as software can be sure."

Graphisoft has triumphed over edversity. The west's Cocom restrictions prohibited the supply of sophisticated hardware to communist countries. Lack of funds was equally inhibiting.

That may have been a blessing in disguise. Eastern European developers bad to write software for small computers which could slip through the Cocom fence and which they could afford: then PCs conquered the computing world and Graphisoft followed in their wake.

The company's motto is apt: turn obstacles into opportunities. It is hard enough in a PC world dominated by the US for a European software developer to make it, let alone an eastern European one.

Yet Mr Bojar's origin has given an edge to his ambition: "We wanted to prove that from eastern Europe we could beat the Americans." Graphisoft's origin also gives it an edge on costs: "I say to programmers that I can pay you more than half as much as in the west; I just expect you to work twice as hard," says Mr Bojar.

The company expects revenues from software sales to grow five times again within three years

Mr Bojar and his colleagues, while technical virtuosos, had no experience of running a business or marketing a product. But that has an upside too. Graphisoft'e executives are unfazed by the rapid pace of change in the computer industry. "New is nothing new for them," says Mr Marlatt.

Graphisoft executives constantly question why things have to be done in the time-honoured way. Western colleagues edmit irritation but say the Graphisoft approach can inspire creative solutions.

Ignorance can also underpin a naive confidence. David Marlatt says of Graphisoft's entry into the US market: "They didn't know they couldn't do it." So they went ahead and did it anyway.

Talent and ambition are common anough qualities in Hungary. But Graphisoft has something else which makes it special: good, old-fashioned capitalist virtues. The company has done ona thing, but done it well. "We have a product; we develop what we sell, says Imre Pakozdi, chief operating officer of Graphisoft. "Wa avoided the temptation to have a big Mercedes first, revenues afterwards."

Mr Bojar finally bought a Mercedes this spring, after more than a decade in business. The company has no debt beyond a small bank overdraft. The company's manager-owners have skipped dividends and reinvested all profits. Graphisoft's headquarters building is an interior-designed, but modest, villa in a Budapest suburb.

"Everything they've built for themselves and they haven't been greedy along the way," says an admiring Don Serrat.

But, depressingly for Hungary, Graphisoft has inspired few imitators. Graftsmanship and thrift are rare qualities among Hungary's flashy new entrepreneurs, let alone stodgy state enterprise managers. Leave Graphisoft's silicon villa and you return to a different world. Don Serrat says: "You walk out the door and – boom! – back in Hungary."

Nicholas Denton

Prize contributions to science

HUNGARIANS draw on an illustrious tradition in computers. A Hungarian-American, John von Neumann, virtually invented the computer with his work on binary arithmetic. Per head, Hungarians have won more Nobel prizes for scientific discovery than eny other nation.

Even now, Hungarian schoolchildren regularly score better in comparative tests than their western European counterparts. Hungary'e inhabitants may only number 10m but they like to think of their country as e "maths superpower".

It appeared until tha start of the 1990s as if computer ventures would lead Hungary's trek to capitalism. Companies such as Novotrade, Kontrax, Controll and Microsystem grew explosively to dominate the top ranks of the Hungarian private sector.

But Hungarian technical genius alone has proved insufficient. Private computer companies have fallen, or wobbled at least, like ninepins. Novotrade has had to shrink to survive. Kontrax has restructured its operations and rescheduled its debts to stave off dissolution. Controll was less lucky: the company is in liquidation. And Peter Vadasz, chairman of Microsystem, has left the company he founded under a cloud of losses and liquidity problems.

Hungary's infant market has offered many opportunities for quick profit. But the companies that have given in to temptation have risked becoming jacks of all trades and masters of none. The Kontrax group, at its most diffuse, owned businesses in computer distribution, office equipment distribution, telecommunications development, property, newspapers and finance.

So Graphisoft'a success is an exception rather than the rule in Hungary's computer sector. And even Graphisoft made an unprofitable detour into sales of Apple computers before selling its distribution subsidiary last month to refocus on software development.

POLITICS

Tension rises as poll nears

HUNGARIAN politics and politicians tend to exaggeration, a characteristic mirrored in the ornate, gilded parliament on the banks of the Danube and the dramatic statues of moustachioed heroes which dot Bndapest's magnificent squares and avenues.

With alections due by May next year the atmosphere is electric as the former communists prepare for a comeback à la Polonnaise, the nationalist right plays on old phobias about Jews and foreigners and the ruling Hungarian Democratic Forum (MDF) seeks desperately to consolidate its failing grip on the centre by strengthening its hold on the mass media, especially the state TV.

Behind all the nervous tension lies an economy which is stubbornly refusing to deliver sustainable economic growth after a four-year, 20 per cent decline in GDP which masks substantial, but not sufficient, structural reform.

Even the ruling coalition's success in attracting more than $5.5bn in foreign equity investment, and a steady flow of new foreign debt issues, has turned into a double-edged weapon. The nationalist right, led by Mr Istvan Csurka, thunders against the sale of Hungary'a family silver and the overweening influence of foreigners and "cosmopolitans".

Behind all the nervous tension lies an economy which is stubbornly *refusing to deliver* eustainable economic growth

It is aometimes hard to remember amid the cacophony of discordant sounds that Hungary managed the most seamless transition from a reform-communist regime to a multi-party system in 1989 or that Mr Jozsef Antall, tha prime minister, has headed the most stable and long-lived government in post-communist Europe.

But government is a thankless task in this part of the world and Mr Antall has seen his support dwindle, his party split and his coalition partners lapse into internal squabbling over the past 12 months.

Questions also remain over tha physical health of the prime minister who has just returned from Germany after receiving treatment for non-Hodgkins lymphoma, a debilitating illness which has sapped his strength for years. In his absence the reins of power were held by his heir apparent, Mr Peter Boross, the increasingly powerful minister of the interior.

A rising economic tide would have lifted the fortunes of the ruling partiee. But tha economy, failed to oblige. Instead, Mr Antall has had to face down a rightwing nationalist challenge led by Mr Csurka, a populist writer who articulates tha fears of many Hungarians that thair distinctive language and culture are threatened by cloaar integration into European structures.

After mounting a personal attack on Mr Antall's leadership, Mr Csurka brnke away from the MDF in June and took a handful of MPs with him into his new Hungarian Jnstica and Life Party. It remains to be seen whether this new party gains the 5 per cent of votes needed to secure entry into the next parliament. It prnbably will.

To fend off right-wing attacks Mr Antall has been obliged to ahift the MDF towards the right and give moral support to gestures such as tha repatriation and re-burial of Admiral Miklos Horthy.

A national hero to some, and a crypto fascist to otbers, Admiral Horthy took Hungary into the war as an ally of Nazi Germany and re-occupied part of the territories that Hungary was forced to cede at the Treaty of Trianon in 1930.

The real electoral challenge to the centrist coalition which has governed since June 1990 comes, however, from another direction.

Buoyed up by the victory of communist-era parties in the recent Polish elections, the Hungarian Socialist Party, heir to the reformist traditions of the former communist party, is confidantly preparing for a comeback. The party won only 33 seats in the 1990 elections compared with the 165 gained by the MDF. But the latest opinion polls show 25per cent support, compared to only 8 per cent for the MDF.

The party, led by Mr Gyula Horn, the veteran reform communist and former foreign minister, is unasbamedly bidding for tbe votes of the unemployed and tbose who feel that the shift towards a market democracy bas deprived them of security and status.

Many wbo once bersted the communists for their corrupt abuse of power now profess to see the socialists as tbe party of clean hands and hoid up the last communist government headed by Mr Miklos Nemeth as a model of political correctness and principled economic reform.

Mr Horn and Mr Csurka are competing for tbe anti-government vote, including the votes of those who believe that four years of painful changes have merely created a new wealthy class of recycled party bosses and nomenklatura managers, who used their connectlons to convert former state property into their own.

Many who once berated the communists for their corrupt ebuse of power *now profess to see the* socialists as the party *of clean hands*

The main weakness of the socialist position is that few, if any, of the other political parties would be prepared to join them in a coalition, as the Peasants Party joined the socialists in Poland.

The aocialists may well emerge as the largest single party but are most unlikely to win enough votes to govern alone.

Surprises are possible. The elections are likely to demonstrate considerable electoral volatility. All three ruling parties and the Alliance of Free Democrats (SZDSZ), the main opposition party in tha current parliamant, are expected to lose votes, leaving the socialists and the Federation of Young Democrats (FIDESZ) as the main gainers.

Fidesz, led by the charismatic young Viktor Orban, has consistently topped the opinion polls for three years, but has equally consistently failed to capitalise on this favourable sentiment at by-elections.

Its main asset, an absence of links with tbe old regime guaranteed by tbe youth of its protagonists, bas been sullied in recent months by its involvement in a shady real estate deal.

This involved the sale of its state-provided property at a substantial profit and partlal re-investment of the proceeds in a luxury car hire company.

Mr Orban, intelligent and articulata, looks to many like a Hungarian version of Spain's Felipe Gonzalez wbo brougbt Spain into the modern world by leapfrogging the generation warped by tbe Franco dictatorship as Hungary has been warped by communism. He has just emerged from a bruising internal conflict over the soul and direction of the party with vlctory over his would-be rival, Mr Gsbor Fodor.

The latter, defeated in his bid for the presidency of the party's national committee, argued unsuccessfully that Fidesz was too linked to Hungary's rising entrepreneurs and riaked gaining a reputation for arrogance and insensitivity towards the hopes and fears of the majority of voters who remain mired in low paying jobs in the poorly performing state companies.

At present Fidesz is in loose alliance with the Free Democrats. But Mr Orban and his close collaborators ara clearly aiming for power, displaying a naked ambltion which worries some erstwhile supporters.

Mr Orban is perceived as shifting his party, which could well emerge as the kingmaker, into position for a possible post-election power-sharing agreement with the MDF – or whichever non-socialist party emerges as the most likely core of a future government.

Anthony Robinson

Main political parties

Party	Hungarian acronym	Seats won in June 90	Latest opinion poll	Leader	Type
Hungarian Democratic Forum	MOF	165	8%	Jozsef Antall	Conservative
Christian Democrat and People's Party	KDNP	21	8%	Laszlo Surjan	Conservative
Independent Smallholders Party	FKGP	44	7%	Jozsef Torgyan	Populist, rural
Alliance of Free Democrats	SZDSZ	92	10%	Gabor Kuncze	LLiberal
Federation of Young Democrats	FIDESZ	21	30%	Viktor Orban	Neo-liberal
Hungarian Socialist Party	MSZP	33	25%	Gyula Horn	Socialist
Hungarian Justice and Life Party	MIEP			Istvan Csurka	Nationalist
Workers Party	MSZMP		3%	Gyula Thurmer	Communist

Source: FT statistics

PRIVATISATION

Utilities take up the torch

HUNGARY appears to be losing its crown as eastern Europe's fastest privatiser. The government is still well short of its target of privatising half the state sector by the end of its term in 1994 giving rise to a widespread impression that privatisation has been disappointingly sluggish.

In some cases that may be true. Chemicals group TVK could have been sold to Eastman Kodak of the US in 1991 for $400m. It was not, and now the company's prospects are bleak.

Takeda of Japan sniffed at pharmaceuticals producer Richter Gedeon in 1990, but the authorities dithered, and the company's Comecon markets, and its value, collapsed.

Speed counts because the uncertainty leading up to a transaction inhibits investment.

"Managers concentrate, not on the future, but just to survive," says Mr Gyorgy Suranyi, managing director of Central European International Bank. For this and other reasons, Hungary's state auditors estimate that state property loses about a fifth of its worth a year.

But it is easy to be wise after the event and say Hungary should have sold out to western multinationals when they were flusb with casb and naive enthusiasm in 1990.

No one forecast the extent of the recession in western and eastern Europe, nor tbe depressing effect that would have on investment flows.

Rapid disposals have a downside, too. Acquisitions made in the euphoric days at the start of the decade now look overpriced. Early huyers sucb as General Electric of the US and Ansaldo of Italy have had to commit much more than they expected.

The shattered Illusions of pioneer multinationals make a poor advertisement for Hungary's attractions as a destination for cross-border investment.

But Hungary's reputation for dragging its beels on privatisation is somewhat unfair. Hungary had about 2,000 state enterprises in 1989. By September 1993 tbe State Property Agency, the privatisation authority, had sold 273 companies outright, disposed of majority shareholdings in 144 cases and minorities in 71. Liquidation, which is privatisation of a sort, accounted for a further 370 enterprises.

Private or partially private companies, including new start-ups, now employ about 36 per cent of the workforce, according to an estimate cited by the Organisation for Economic Co-operation and Development.

But Budapest's programmes for building up the private economy bave none of the grand sweep of the Czech, Polisb or Russian voucher schemes while the growth of new private enterprises does not yet match the vibrancy of Poland's bomegrown businesses.

Yet Hungarian privatisation makes up in depth what it may lack in breadth. Hungary has put the creation of "real owners" above a nominal shift to the private sector.

Nobody can doubt that General Electric, acquirer of lightbulb maker Tungsram, is a private owner. But this is not the case, for example, witb the state banks which manage the vouchers issued for the bulk of the Czech Republic's privatised companies.

"What kind of organisations are these?" asks Mr Tamas Szabo, Hungary's minister for privatisation. "Holdings took the place of the state. Where are the real owners?"

Tbe Hungarian cigarette industry, by contrast, is now divided between four western multinationals, the sale of the last of Hungary's seven breweries is pending and the remnant of the sugar industry, still in the hands of the State Property Agency (Spa), is now on offer. Foreign, decidedly private, ownership has penetrated deeply into distilling, paper, confectionery, newspapers and cement sectors as well.

Hungary's distinctive policy of selling – rather than distributing – state property has its limits, however.

Privatisation revenues peaked at Ft63.2bn in 1992. In the first three quarters of this year the privatisation authorities raised only Ft23.2bn ($250m) in cash.

This is partly because the State Property Agency, the original privatisation authority set up in 1990, is exhausting its portfolio.

The Spa has run out of most of the consumer goods producers with their enticing markets, whose sale to western investors powered privatisation between 1990 and 1992. "My message to foreign investors is that they must hurry because stocks are running out," says Mr Lajos Csepi, managing director of the Spa.

Some potentially attractive companies remain in the Spa's portfolio however. Confusion over property rights complicated earlier efforts to find investors for the three main hotel chains and the Spa is now trying again. Still lingering with the AV RT state holding company are industrial giants such as TVK, bus maker Ikarus, engineering company Raba, and rubber processor Taurus.

But the newly founded AV RT believes these strategic companies require restructuring before sale. The Hungarian authorities are banking on a World Bank credit to finance debt "work-outs" for companies which could be viable when relieved of their inherited debts.

The focus of attention now is the sale of the national utilities. "Now come the bigger cakes, the great, big projects," says Mr Szabo.

International interest in the utilities on offer is intense.

But preparation for their sale has taken time because the authorities needed time to devise the necessary regulations. "You can't sell telecoms like a corner shop," Mr Szabo says.

But now the conditions for telecoms, gas and electricity privatisation appear to be slipping into place as legislation proceeds.

The government desperately needs the privatisation revenues that only utility privatisation can bring to finance a budget deficit that it has warned could reach Ft350bn next year.

The authorities are due this month to shortlist bidders for 30 per cent of Matav, the national telecoms operator, and the competition is fierce.

Continued on page 4

Mass privatisation – Hungarian style

IN JANUARY Hungary starts to sell state shareholdings on concessionary terms to small investors through the Budapest Stock Exchange. First on the block are minority stakes in eight companies including the Pannonia, Soproni and Borsodi breweries, the Pannonia and Hungaria hotel chains, and plastics producer Pannonplast.

Every adult Hungarian paying a nominal Ft2000 ($21) entrance fee will be entitled to a Ft100,000 ($1030) interest-free credit facility which can be used to subscribe to the public offerings. The scheme, devised by Schroders, the UK investment bank, allows repayments to be spread over five years and no security is required beyond the purchased shares themselves.

The authorities hope that the generous terms will attract up to one million of Hungary's 10m population and thus defuse the widespread feeling that privatisation has passed by the general public.

For the sake of simplicity, the new initiativa has been classified internationally as a mass privatisation programme or even a voucher scheme along Czech lines. But such labels cause Budapest officiale to flinch.

The Hungarian scheme is different, they stress. First, relatively few companies, around 40, will be involved, aven over the full five-year lifespan of the project.

Only minority, passive stakes will be on offer. And investors will have to pay for their shares if they want to keep them, albeit on en instalment basis.

The new scheme, therefore, is not a replacement for existing etrategies, but rather another ingrediant added to Hungary's already complex privatisation mix.

puts – options to sell the market at a fixed time and price – market falling below the expiry price, and thus repre- son was the most active performer as one bonse rallied for- around 5 points. Turnover topped 12,600 contracts.

HUNGARY'S proudest boast is that it has attracted half of the total flow of foreign capital into eastern Europe: more than $5.5bn in equity investment alone since the economy opened to the west in the late 1980s. Until now, no list has been published of the largest ventures.

The FT has gathered data from privatisation officials, Credit Suisse First Boston and investors themselves to produce the first comprehensive table of the top 50 foreign investments.

The figures refer to total investment commitments. These include: purchase price, when a foreign investor has acquired a Hungarian shareholding; investment to date; and medium-term capital expenditure plans, where announced. In many cases the sum is larger than the equity infusion alone.

Top 50 foreign investment commitments

Rank	Investor	Nationality	Hungarian partner or venture	Sector	Type	Year	Size of major shareholding	Investment in dollars
1	General Electric	US	Tungsram	Lighting	Privatisation	1990	100%	$550m
2	Volkswagen-Audi	Germany	Audi Hungaria Motor	Car engines	Greenfield	1993	100%	$420m
3	US West International	US	Westel, Westel 900	Cellular telephony	Joint venture greenfield	1990 1993	49% 51%	$330m
4	General Motors	US-Germany	GM Hungary	Cars and components	Joint venture greenfield	1990	67%	$300m
5	Suzuki, C Itoh, International Finance Corporation	Japan, International	Magyar Suzuki	Cars	Joint venture greenfield	1991	60%	$250m
6	PTT Netherlands, Telecom Denmark and other Scandinavian operators	Various	Pannon GSM	Mobile telecoms	Joint venture greenfield	1993		$250m
7	Allianz	Germany	Hungaria Biztosito	Insurance	Joint venture	1990	67%	$220m
8	Transroute International, Banque Nationale de Paris, Caisse des Depots, Strabag	France, Austria	Hungarian Euro-Expressway	Motorway construction and operation	Concession	1993		$200m
9	Alcoa	US	Kofem (Hungalu subsidiary)	Aluminium	Joint venture	1992	51%	$165m
10	Ferruzzi, Unilever	Italy, Netherlands-UK	NMV	Food and detergents	Privatisation	1992	90%	$160m
11	Prinzhorn Group	Austria	Dunapack, Halaspack, Szolnok Paper Mill	Paper	Joint venture	1990	40%	$160m
12	Ansaldo, subsidiary of IRI	Italy	Ganz-Ansaldo	Electrical engineering	Privatisation	1990	75%	$130m
13	PepsiCo International	US	FAU	Soft drinks	Privatisation	1993	79%	$115m
14	Guardian Glass	US	Hunguard	Glass	Joint venture	1989	100%	$110m
15	Alitalia, Simest	Italy	Malev Hungarian Airlines	Airline	Privatisation	1992	35%	$100m
16	Hungarian Investment Company	UK	Nikex, others	Various	Portfolio investments	1990		$100m
17	Sanofi	France	Chinoin	Pharmaceuticals	Privatisation	1990	51%	$100m
18	Ford	US	Ford Hungaria	Car components	Greenfield	1991	100%	$100m
19	Sara Lee - Douwe Egberts	US	Compack	Coffee	Privatisation	1991	100%	$100m
20	Coca-Cola Amatil	Australia	Budapest Likoripari V, others	Soft drinks	Privatisation	1991	100%	$100m
21	Kempinski, Dresdner Bank	Germany	Grand Hotel Corvinus Kempinski	Hotel	Greenfield	1987	85%	$95m
22	Nestle	Switzerland	Nestle Intercsokolade	Confectionery	Privatisation	1991	97%	$94m
23	Siemens	Germany	Telefongyar, others	Telecoms equipment	Privatisation	1991	100%	$94m
24	Banca Commerciale Italiana, Bayerische Vereinsbank, The Long-Term Credit Bank of Japan, The Sakura Bank, Societe Generale	Italy, Germany, Japan, France	Central European International Bank Group	Banking	Joint venture	1979	64%	$87m
25	First Hungary Fund	US	Various	Various	Portfolio investments	1990		$80m
26	Stollwerck	Germany	Budapest Confectionery Company	Confectionery	Privatisation		70%	$80m
27	Marriott, GiroCredit, others	US, Austria	Duna Intercontinental	Hotel	Privatisation	1992	90%	$77m
28	Agrana	Austria	Hungrana	Sugar, starch	Privatisation	1990	53%	$70m
29	Hoechst - Messer Griesheim	Germany	Oxygen and Dissolved Acetylene Co	Industrial gases	Privatisation	1991	97%	$70m
30	Voest-Alpine	Austria	Dunai Vasmu	Steelmaking	Privatisation	1992	50%	$70m
31	Ferruzzi - Beghin-Say	Italy (France)	Matravidek, Szerencs, Szolnok sugar factories	Sugar	Privatisation	1991	40%	$70m
32	Reemtsma	Germany	Debreceni Dohanygyar	Cigarettes	Privatisation	1992	85%	$68m
33	Electrolux	Sweden	Lehel	Fridges	Privatisation	1991	100%	$65m
34	Total	France		Petrol stations, propane-butane gas distribution	Greenfield, Privatisation			$65m
35	British-American Tobacco	UK	Pecsi Dohanygyar	Cigarettes	Privatisation	1991	51%	$60m
36	Hungarian-American Enterprise Fund	US		Various	US govt-supported equity investment fund	1990		$60m
37	Sarp Industries	France	Dorog Refuse Incinerator	Pharmaceutical waste treatment	Privatisation	1993	52%	$60m
38	Philip Morris	US	Egri Dohanygyar	Cigarettes	Privatisation	1991	80%	$60m
39	Amylum	Belgium	Szabadegyhazi Distilling Company	Distilling	Privatisation	1991	99%	$60m
40	Julius Meinl	Austria	Csemege-Meinl	Retail	Privatisation	1991	51%	$59m
41	Aral	France		Petrol stations	Greenfield			$57m
42	Skanska	Sweden	East-West Business Centre	Office development	Greenfield			$56m
43	European Bank for Reconstruction and Development	Financial institution	Various	Telecoms, various		1992		$55m
44	Columbian Chemicals	US	TVK	Carbon black	Joint venture	1993	60%	$55m
45	Institutional investors	US	Fotex	Retail	Share placement	1991	32%	$54m
46	Accor	France	Pannonia Hotels	Hotels	Privatisation	1993	51%	$52m
47	Tengelmann	Germany	Skala-Coop, Kozert	Retail	Privatisation	1989-92		$50m
48	Primagaz, Calor Gas (in JV Pamgas)	France, UK	Primagaz Rt	Bottled propane-butane gas	Privatisation	1992	51%	$50m
49	Tetra-Pak	Sweden	Tetra-Pak Hungary	Packaging	Greenfield	1992	100%	$50m
50	Atex	CIS	Ikarus	Buses	Privatisation	1991	30%	$50m

Source: FT statistics

FOREIGN POLICY

In search of full integration

FULL integration into suitably expanded European economic and defence structures as soon as possible is, and will remain for the foreseeable future, the over-arching aim of Hungarian foreign policy.

It could hardly be otherwise. The dulling effect of distance from the traditional fault lines of European politics is a luxury not available to Hungary. The war in former Yugoslavia has already cost Hungary an estimated $1bn in lost trade, increased military spending and aid to refugees.

The destruction of Slavonia, including whole cities such as Vukovar and Osijek, by Serb forces in the early months of the Serb-Croat war took place just across Hungary's southern border. The fighting also destroyed the homes and livelihood of many of the 40,000 ethnic Hungarians who have lived for centuries in these lands. Thousands are now refugees in southern Hungary.

Their counterparts, the more than 400,000 ethnic Hungarians living in the Serbian province of Vojvodina, have not suffered war and destruction. But the delicate ethnic and sociopolitical balance of the communities in which they live has been dangerously upset by the influx of Serb refugees from the fighting in Croatia and Bosnia, and the grinding poverty which war and the UN trade embargo has brought upon Serbian citizens of all ethnic groups and convictions.

Bitterness at the consequences of a war largely brought about by Slobodan Milosevic, the Serb leader, and his coterie of Serbian army officers, nationalist academics and former commissars, is compounded by the deliberate drafting of ethnic Hungarian youths to fight on the Serbian side of the tribal war against Croats and Muslims.

Rather than fight, many young men have slipped across the border to relatives and friends in Hungary. As in Serbia itself, the exodus includes many of the best, those with transferable skills and energy who have no wish to endure the risks of a senseless war or the poverty of a future hate-filled peace.

Fearful of further undermining the fragile viability of ethnic Hungarian communities across the former Yugoslav borders, Budapest has kept its protests low key, while acquiring new Mig-29 fighters from Russia to defend its airspace and quietly building up the strength and equipment of its formerly depleted and badly equipped army.

Above all, Budapest officials plead with the amorphous post-cold war "west", to take a firm stand against ethnic purging and the insidious undermining of regional security which results from the successful use of violent means to change the ethnic balance of ancient communities.

The trouble is that Nato, already taxed by the Greek-Turkish rivalry, and with Britain already embroiled in its own inextricable ethnic conflict in Northern Ireland, is deeply reluctant to extend membership in a way which would bring in new members with unresolved historical disputes in their knapsacks.

So Budapest knows it must be circumspect in its defence of the 3.5m ethnic Hungarians who are descendants of those left outside the historical boundaries of greater Hungary when the borders of the Carpathian basin states were redrawn by the victors in the 1920 Trianon Treaty and re-affirmed, with only minimal changes, in 1947.

Hence Budapest's espousal of the principle of minimal borders, maximum porosity and respect for minority rights. These are principles, tirelessly put forward by Mr Geza Jeszenszky, who has become the longest serving foreign minister in post-communist Europe, and his able senior advisers. But he fears that Hungary's contribution to the maintenance of peace and stability in the region is undervalued.

"Hungary's position is not sufficiently recognised. My biggest pre-occupation is to ensure that central Europe is not overlooked by the west," he says. Budapest is concerned, for example, at what it perceives as EC appeasement over the controversial Gabcikovo dam. At the EC sponsored meeting of central European leaders in London last year Mr Vladimir Meciar, the Slovak leader, promised that 95 per cent of the Danube's water would be allowed to flow through the old channels which define the international border and would not start the hydro-power facility in the dam complex. Both promises were broken, virtually without protest from the EC.

Drawing a parallel between inter-war appeasement and the west's impotence over Yugoslavia, Mr Jeszenszky recalls Winston Churchill's summing up of the 1938 Munich agreement: "We chose shame and got war."

In spite of the legitimate reasons for Hungarian nervousness over the possible evolution of events in the region, and concern to prevent Hungary being tarred with the brush of regional instability, the last four years have also had their positive side.

On the trade and investment front Hungary has successfully shifted the bulk of its trade away from Comecon to EC markets and attracted $5.5bn in foreign equity investment. At the same time the dissolution of the Soviet Union means that Hungary no longer has Soviet troops on its territory and no longer has Russia as a direct neighbour. It sets a high priority on building up links with an independent Ukraine.

With an eye on longer term prospects for a resumption of trade and other links with Russia, however, Budapest is also acutely aware of the need to maintain good relations with Moscow. Mr Jozsef Antall, the prime minister, openly backed President Boris Yeltsin in his recent fight with parliament. But foreign policy analysts look with concern on the reluctance of the Nato allies to press Moscow for a complete pull-out of Soviet troops from the Baltic states or to define clearly the kind of relationship the west wants with Russia.

Above all, Hungarian analysts want the west to avoid leaving the impression of a vacuum of power anywhere in central Europe, given the historical propensity of Russia to push on open doors when it has the strength and the temptation to do so.

Anthony Robinson

Utilities take up the torch

Continued from page 3

Front runner is a consortium led by Germany's Deutsche Telekom and including Cable & Wireless of the UK and Ameritech, the regional Bell operating oompany (RBOC). Another strong contender is the partnership of France Telecom and US West, another RBOC.

Matav has drawn attentionas the first state telecommunications utility to be put on sale in eastern Europe. Advisers believe that the new socialist government's halt to Greece's telecoms privatisation will turn the focus of international industry investors on Hungary. "It is the only near-term game in town," says one.

Schroders, the UK merchant bank, has won the mandate to privatise MVM, the electricity industry holding company. And N M Rothschild, another UK-based company, has a similar role for the gas sector. Legislation on both industries has gone before parliament this month. Further down the line is Mol, the national oil company, on whose sale Lazard Freres of France is advising.

There are bound to be hiccups along the way. But, at the present rate of progress, Hungary's utilities will be under private control before most of their counterparts in continental Europe, let alone eastern Europe.

Nicholas Denton

LONDON STOCK EXCHANGE

Shares volatile ahead of retail data

By Terry Byland, UK Stock Market Editor

THE UK stock market looked increasingly apprehensive ahead of developments pending on both sides of the Atlantic and endured another volatile trading session yesterday. Although still firm at the close, the FT-SE 100 Index had lost much of a mid-afternoon gain of nearly 15 points after Wall Street turned back from a strong opening.

Several leading securities houses, US investment banks in particular, appeared to be shifting to a bearish stance in both stocks and futures, at least for the short term. The Footsie 3,100 mark, which is proving increasingly elusive, was lost, regained and lost again before the index finished at 3,097.5 for a gain on the day of 4.2.

After shedding more than 10 Footsie points in early trade, equities turned sharply better after a larger than expected reduction in German repos rates. This was seen as opening the way for a cut in Bundesbank rates, perhaps even tomorrow, and also for the Budget cut in UK base rates widely expected in the London stock market – some optimists even asked whether a two-point cut might be possible!

Progress was fairly slow, however, and trading volume volatile as trading statements from several leading names of British industry left investors still cool on economic recovery prospects. Some help came from firmness in government bonds following satisfactory Public Sector Borrowing Requirement numbers for October.

When Wall Street came in with an opening gain of 12 points on the Dow Average, London moved up quickly to reach the day's high of 3,108.1. But the UK market turned down again just as quickly when the early gain on the Dow melted away and was replaced by a minor fall at the close of UK trading hours.

On the domestic front, attention focused on prospects for last month's UK Retail Price Index and retail sales, both expected at 9.30 today, and regarded as important influences on the Budget due on November 30 from Mr Kenneth Clarke, the UK chancellor of the exchequer.

Most UK analysts expect annualised RPI to remain at 1.8 per cent but any move above this could unsettle market confidence that base rates will be cut by a full point around Budget time. Also, the market hopes that economic recovery will be reflected in higher retail sales in October.

US houses were covering themselves in London ahead of tonight's Congress vote on NAFTA, the North American Free Trade Agreement. NatWest Markets, the UK banking and securities house, warned yesterday of a significant chance that the vote could fail. "The immediate economic impact will be negligible but sentiment in financial markets will be dealt a more serious blow," said NatWest. At Salomon International, Mr Marcus Grubb suggested that investors seriously worried about the NAFTA vote might buy gold.

Seaq volume, at 654.8m shares, jumped by nearly one third from the previous session, and dealers pointed to several bought deals as a sign of genuine investment activity. The bright spot was the renewed interest in second line stocks which lifted the FT-SE Mid 250 Index by 4.5 to 3,421. On Monday, retail business in equities fell to £1.05bn, a further indication of the cautious mood this week.

TRADING VOLUME IN MAJOR STOCKS

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down. † Indicates an FT-SE 100 Index constituent.

Account Dealing Dates

*First Dealings:	Nov 1	Nov 15	Nov 29
Option Declarations:	Nov 11	Nov 25	Dec 9
Last Dealings:	Nov 12	Nov 26	Dec 10
Account Day:	Nov 22	Dec 6	Dec 20

*New time dealings may take place from two business days earlier.

Dividend blow at BOC

CURMUDGEONLY dividend forecasts from BOC combined with caution over future prospects prompted a savage market rerating of the shares yesterday. The stock was the hardest hit in the FT-SE 100 Index, dropping 30 to 596p, its lowest point for more than a year, with turnover of 8.5m nudging record levels.

Most chemicals analysts had been expecting a continuation of a policy established some five years ago of dividend growth above inflation. But when BOC announced profits in line with expectations at £337.6m, up from £215m, it also said it would pay an unchanged dividend of 23.3p for the year to September 1994.

The company said: "It is very difficult to look forward to that year [1994] with confidence in economic circumstances that are becoming more uncertain rather than more certain."

The board made moves to persuade analysts that the final dividend projection was merely a shift in policy that had ignored low UK inflation and interest rates, but most saw the move as an underlying indication of gloomy times to come.

Moreover, having seen BOC's share price tumble from above 760p over the past nine months, analysts had hoped the problems were now discounted in the price.

Mr Jeremy Chantry, chemicals analyst with Kleinwort Benson, said that in spite of heavy falls in the share price in the past months, he expected further weakness and was downgrading his positive recommendation on the stock.

"Most people had expected a rise in the dividend – even a token rise would have indicated some optimism for the coming year," he added.

Courtaulds, which is expected to announce interim profits of around £98m today, suffered in BOC's wake, the shares weakening 13 to 476p.

GenAcc setback

The second worst performance among the FT-SE 100 list came from composite insurer General Accident, which retreated 4.8 per cent after the group revealed third-quarter profits well below the market's best estimates.

Dealers pointed out, however, that some of the more optimistic insurance analysts had shifted their forecasts higher over the past week or so in the wake of perceived good results from companies such as BAT Industries and Royal Insurance. "There were some very full forecasts in the market and, sadly, they have not come off, that is why the shares have fallen so sharply," said one top insurance analyst.

GenAcc's nine-month profits came out at £206m, compared with market estimates which had ranged from below £200m to as much as £230m.

Mr Trevor May, insurance specialist at BZW, said the market had got carried away with the company'e first-half numbers, which he said had been surprisingly good. He upgraded his current year forecast, however, from £260m to £270m and that for next year from £330m to £345m, although emphasising that the group's dividend growth scope remains "limited".

Hoare Govett, GenAcc's house broker, said the market had overreacted on the downside against some rather unrealistic expectations. Hoare is looking for current year profits of £282m and profits of £367m for next year.

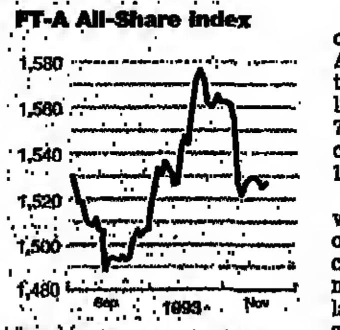
Some of the big institutions were thought to have switched from GenAcc into Sun Alliance. The latter rose 6 to 370p on turnover of 3.2m, GenAcc settled 33 lower at 658p on much higher than usual turnover of 3m.

Activity in BAA

Airport operator BAA endured a rollercoaster ride in the market as investors and analysts digested the company'e half-year results. The shares tumbled initially, coming off 16 at one stage, as concerns mounted that the group's dividend pay-out implied a poorer full-year total and hinted at lower earnings growth. However, BAA spent the day pointing out that this was not the case and the shares recovered. They were later squeezed up in what dealers described as a technical rally, ending 20 ahead at 921p.

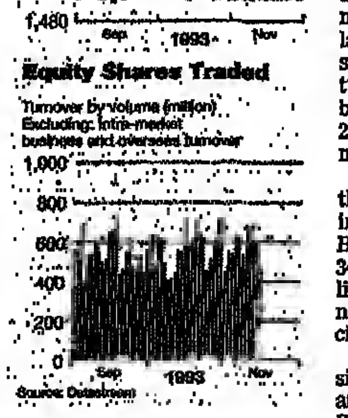
BAA's affirmation of its overseas ambitions, together with its declaration to move to quarterly reporting, fuelled speculation that the company may seek an ADR listing in New York. The group already has a management arrangement with one US airport and is known to want to further its US ambitions. Transport analysts left their full-year forecasts largely untouched, the market range remaining around £312m-£323m.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover



Source: Datastream

BAT upset

Concern over the US insurance unit of BAT Industries gave investors a chance to take profits following the surge which has taken the share price of the tobacco and insurance conglomerate to an all-time high.

News that the California Insurance Commission will investigate BAT's Farmers Insurance Group after it was criticised by a judge sent the shares down 13 to 503p with 8.7m traded.

However, BAT said yesterday that it was confident that the Farmers subsidiary would pass any review into its procedures. And analysts said problems related to an agency involved with Farmers rather than Farmers itself.

Paints group Kalon saw unusually high turnover as one big institutional shareholder sold its entire stake in the company via Kalon's broker Smith New Court. Some 8.2m shares were bought at 164p and placed with a variety of institutions at 166p a share.

The shares represent 6.8 per cent of the company. In August, the leading institutional stakeholders were Prolific Asset Management with 7.8 per cent and 3i with 6.3 per cent. Kalon shares fell 4½ to 167p.

The oil majors, BP and Shell, were "spooked" according to oil sector specialists, by the crude oil market's failure to make any progress during the last week or so and also by suggestions that US funds had turned sellers of BP having built up holdings in excess of 27 per cent over the past 18 months or so.

Talk of heavy selling of from the US was viewed as surprising by UK analysts although BP shares drifted back 9½ to 341½p. "BP have come back in line with the US oil majors, nothing more," said one specialist.

Shell, however, were aggressively sold and settled 11 down at 651p, after the oil team at Kleinwort Benson published a straight sell recommendation on Shell and Royal Dutch. Downgrading the stocks from "hold" to "sell" Kleinwort said both "offered a safe earnings and dividend stream but that the ratings appeared stretched on yield relative grounds."

The sector's exploration and production stocks, however, staged a good rally with Enterprise up 6 to 453p on good turnover of 1.3m and Lasmo 3 harder at 133p, after 135p.

Selected property shares continued their rise begun Monday, with Land Securities again showing good gains ahead of today's results. Analysts expect little change to last year's £118m, but a confident statement would help consolidate the shares' recent strength. There was also talk in the market that the group is poised to announce the development of the Stag Place in London's West End, with the Department of Environment tipped to pre-let part of it in a £5m deal. Land's shares jumped 13 to 728p.

Gambling and hotels group Ladbroke was again under pressure as joint house broker Smith New Court cut its profit forecast. Other brokers followed suit as worries surfaced that the group's DIY business was suffering in the industry's prolonged price war. Smith was said to have cut from £152m to £140m. The shares fell 6 to 157p in turnover of 4m.

Forte was said to be talking to analysts about improving occupancy levels in its London hotels. The shares improved 3 to 234p.

Drinks giant Guinness surged as NatWest Securities reaffirmed its positive stance and James Capel was said to have issued a buy note. The shares jumped 13 to 442p. Whitbread added 11 to 499p on speculation that tomorrow's results will exceed market expectations.

VTR shares surged 17 to 99p after the video editing group announced profits up 103 per cent.

MARKET REPORTERS:
Christopher Price,
Peter John,
Steve Thompson.

■ Other statistics, Page 23

NEW HIGHS AND LOWS FOR 1993

NEW HIGHS (88).
BRITISH FUNDS (3) Consols 4pc, Treas 2½pc '01, Treas. 7¾pc '12-15, BANKS (3) Anglo Irish, Barclays, Royal Bk. of Scotland, BREWERS (1) Mathew Clark, BLDG MATLS (4) Marshalls, Do 6¾pc Pf., Meyer Intl., Travis Perkins, BUSINESS SERVS (2) Coutts, Hutch. Whampoa, CHEMS (2) Bayer, Wolstenholme Rink, CONGLOMERATES (1) Hanson 9½pc Cv., ELECTRICALS (2) Bulgin A, Denmans, ELECTRONICS (2) Amstrad, MMT, ENG AERO (1) Rolls Royce, ENG GEN (4) Dobson Park, Fkl, Fenner, Renold, FOOD MANUF (1) Acatos & Hutcheson, HOTELS & LEIS (1) Rank Orgnsn., INSCE COMPOSITE (1) Trade Indemnity, INV TRUSTS (11) Abtrust Prfd. Zero Pf., Baillie Gifford Tech., Castle Cairn, European Assets, Gartmore Value Zero Pf., Latin American, Do Wts., Murray Smlr. Mkts. B, Sth. America Fd., Sumit, Thornton Asian Emrg. Mts. Wts., MEDIA (3) Anglia TV, Southnews, VTR, MTL & MTL FORMING (1) Ferrario, MISC (4) Bluebird Toys, Kershaw A, Osborne & Little, Waterford Wedgwood, OIL & GAS (2) Monument, Presidio, PACKG, PAPER & PRNTG (1) De La Rue, TRANSPORT (4) BAA, British Airways, Do Cap. 9½pc Cv., LOF's., SOUTH AFRICANS (1) SA Brews., MINES (4) Anglo American, Anglovaal, Gencor, Minorco.

NEW LOWS (32).
BRITISH FUNDS (3) Treas. 9pc '94, Treas. 10pc '94., Exch. 12½pc '94, AMERICANS (1) WMX, BUSINESS SERVS (1) Penna, CHEMS (2) BOC, Caird 7p Pf., CONGLOMERATES (2) Amec. Grp. Free, Bibby (J), FOOD MANUF (2) Barr (AG), Berisford Intl., JLI, FOOD RETAILING (3) Kwik Save, Morrison (Wm), Do 5¼pc Pf., HEALTH & HSEHOLD (2) Drew Scientific, Intercare, HOTELS & LEIS (1) Flex Leis., MEDIA (1) Blenheim 6.4pc Pf., MTL & MTL FORMING (2) Cl, Triplex Lloyd, MISC (1) Delaney, OTHER FINCL (2) Hambro, Policy Porfolio, OTHER INDLS (1) Brown & Tawse, PACKG PAPER & PRNTG (2) Field, RPC, PROP (2) Cathay Intl., Power Corp., TEXTS (1) Dawson Intl., TRANSPORT (1) Tiphook, MINES (1) Aquarius Expln.

FINANCIAL TIMES EQUITY INDICES

	Nov 16	Nov 15	Nov 12	Nov 11	Nov 10	Year ago	*High	*Low
Ordinary share	2347.9	2346.4	2343.7	2340.8	2342.7	1996.4	2414.2	2124.7
Ord. div. yield	3.96	3.96	3.96	3.96	3.96	4.62	4.52	3.82
Earning yld % full	4.63	4.62	4.62	4.62	4.62	6.52	6.38	4.47
P/E ratio net	27.04	27.11	27.13	27.14	27.12	19.53	28.30	19.40
P/E ratio nil	20.88	25.14	25.10	25.19	25.15	18.05	28.14	18.14
Gold Mines	246.9	243.2	249.6	244.1	235.3	66.9	249.6	60.0

*for 1993. Ordinary share index since compilation: high 2414.2 31/8/93 - low 49.4 26/6/40
Gold Mines index since compilation high: 734.7 15/2/83- low 43.5 26/10/71
Basis Ordinary share 1/7/35; Gold Mines 12/9/55.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2340.4	2341.2	2348.8	2350.8	2353.4	2354.7	2357.9	2357.2	2350.9	2358.7	2339.4

Volume	Nov 16	Nov 15	Nov 12	Nov 11	Nov 10	Year ago
SEAQ Bargains	27,404	28,523	32,710	20,185	28,738	23,443
Equity Turnover(£m)†	-	1050.0	1300.2	1647.4	1721.1	616.7
Equity Bargains†	-	32,026	37,680	32,928	32,756	26,078
Shares traded (mil)†	-	472.1	582.1	619.6	669.0	400.4

† Excluding intra-market business and overseas turnover.

London report and latest Share Index
Tel. 0891 123001. Calls charged at 36p/minute cheap rate. 48p at all other times.

EQUITY FUTURES AND OPTIONS TRADING

GROWING nervousness over the prospects for the London equity market was underscored yesterday by an unusually large and exceptionally bearish deal in traded options, *writes Peter John*.

Marketmakers said Morgan Stanley, the US investment bank, had bought 8,000 FT-SE puts – options to sell the market at a fixed time and price – expiring in February at 2,800. Morgan Stanley was unavailable for comment but traders were surprised at the size of the deal, which boosted turnover in FT-SE 100 options to 27,700 and overall options turnover to 51,800.

The trade was seen as insurance against the underlying market falling below the expiry price, and thus represented a view that the FT-SE 100 could slide 300 points over the next three months.

A further indicator of unease came from the level of implied volatility, the measure of uncertainty within the market, which rose by two percentage points to 17 per cent.

Among stock options Hanson was the most active performer as one house rolled forward exposure from November series to the February.

The Footsie futures contract for December opened weak but traded up to 3,121 before falling in the afternoon to close at 3,106. At that level it was some 8 points above the cash market and above it's estimated fair value premium of around 5 points. Turnover topped 12,000 contracts.

FT-SE Actuaries Share Indices — THE UK SERIES

FT-SE 100	FT-SE MID 250	FT-A ALL-SHARE
3097.5 +4.2	3421.0 +4.5	1526.54 +1.77

Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FT-SE 100	3084.0	3084.2	3095.0	3099.7	3101.7	3103.8	3107.3	3106.0	3097.8	3108.1	3082.8
FT-SE Mid 250	3412.0	3411.5	3413.9	3416.8	3418.7	3422.1	3423.4	3423.0	3421.2	3423.6	3410.7
FT-SE-A 350	1535.5	1535.8	1540.0	1542.1	1543.1	1544.3	1545.8	1545.2	1541.8	1546.1	1535.1

Time of FT-SE 100 High: 1.45 pm low: 8.35 am

FT-SE Actuaries 350 Industry Baskets

Hourly: Construcn, Health & H, Water, Banks

LONDON SHARE SERVICE

BRITISH FUNDS

	Price £	+ or -	1993 high	low	Yield Int.	Red.
Treas 9½pc 1999‡‡	113⅜	—	114⅛	106⅞	8.38	6.40
Exch 12¼pc 1999	125⅜	—	128¾	126⅛	9.78	6.54
Treas 10½pc 1999	118⅝xd	—	119⅜	112⅜	8.85	6.45
Treas 6pc 1999 (£30pd)‡‡	48⅜	—	49⅜	48⅛	6.07	6.27
Conversion 10¼pc 1999	118⅜xd	—	119⅜	112⅞	8.66	6.51
9pc 2000‡‡	112⅜	+⅛	113⅜	106	7.97	6.47
Treas 13pc 2000	133¼	+⅛	133⅞	125½	9.77	6.74
10pc 2001	118⅜	+⅛	119⅜	109⅜	8.45	6.75
7pc '01 ‡‡	102⅜	+⅛	103⅜	97⅛	6.80	6.84
9¾pc 2002	118⅞	+⅛	119⅜	108⅛	8.20	6.85
8pc 2003‡‡	106⅜xd	+⅛	108⅜	97⅜	7.36	6.76
10pc 2003	121⅜	+⅛	122⅜	109⅝	8.20	6.95

Undated	Price £	+ or -		
Consols 4pc	54⅝	+⅛		
War Loan 3½pc‡‡	49⅞xd	+⅛		
Conv 3½pc '61 Aft.	66⅜	-⅛		
Treas 3pc '66 Aft.	40	+⅛		
Consols 2½pc	35	—		
Treas. 2½pc	34⅜	+⅛		

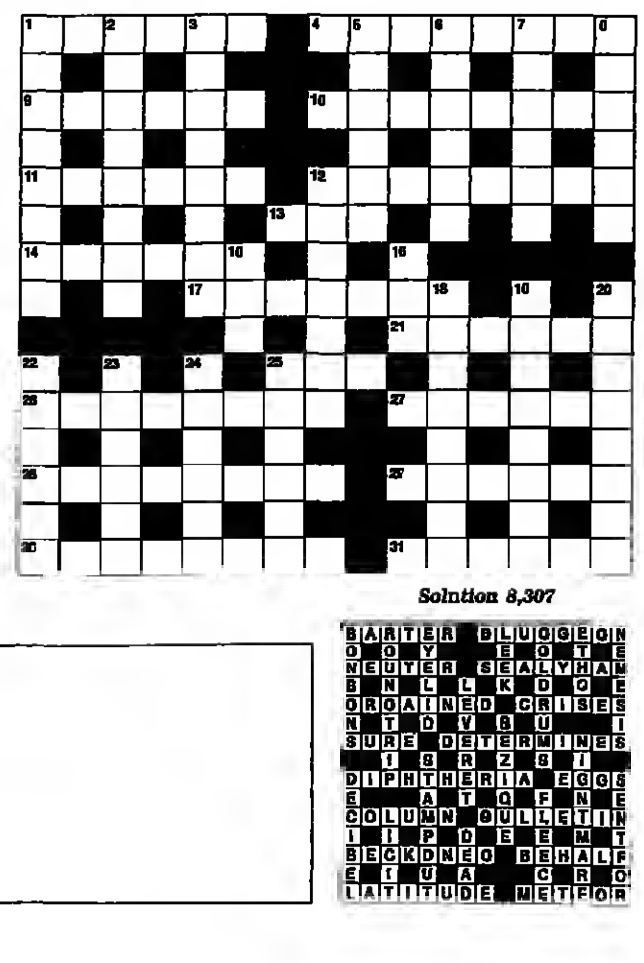
BRITISH FUNDS - Cont.

OTHER FIXED INTEREST

Continued on next page

CROSSWORD

No.8,308 Set by FETTLER



ACROSS
1 Mate corroded eense of taste (6)
4 Gavs away hread, yet suffered (6)
9 Small or undersized - namely a remnant (6)
10 Hamper progress French cyclist made (8)
11 Sitter's terribly sad (6)
12 Being suhtle (to the English non-U) can be cloying (8)
13 Place of rest! Here 25 retired (3)
14 Shunned one gone, having been discharged (6)
17 Such an obstacle, tugs and barges trapped (4-3)
21 Hang down, far from the shallows we hear (6)
25 One coming out is turned thirteen (3)
26 This blankets frantic revel in bed (8)
27 Reduce the loan that's owing (6)
28 Elaborately put round sailors at sea it's said (8)
29 Pierre's left, somewhat msl·sdroit (6)
30 Barbers cut off hair - sideboards perhaps (8)
31 Leave waste (6)

DOWN
1 To set in place, I've definitely laid down! (8)
2 Hooligan jokin' about bible classes (8)
3 Ate most o' salad fruit (8)
5 Lass and lad made plain (6)
6 Den returns to Venetlan island (6)
7 Cowardly howl, expressing pain (6)
8 Dander's mended (6)
12 Determined band of spirits (4-3)
15 Fish, when it's off, is 18 (3)
16 What e 15 hand turned out not to be (3)
18 Control tear with glue perhaps (8)
19 A revolutionary following? A chief source of worry (8)
20 See a follower stick by the book (8)
22 Grant account to company on the way (6)
23 How one can vindicate the sack of Geneva (8)
24 Makes non-oriental packing cases (6)
25 Trader in timber to HM (8)

JOTTER PAD

Solution 8,307

LONDON SHARE SERVICE

AMERICANS

	Notes	Price £	+ or −	1993 high	1993 low	Mkt Cap£m	Yld Gr's
Abbott Labs		19⅞	−⅛	20⅞	15⅝	16,218	2.4
Allegheny & W	♥	454p	−32	722p	398p	260.1	4.4
Amdahl		332p	−3	691p	294p	372.8	1.8
Amer Cyanamid		35	+⅛	39	21¾	3,144	3.3
Amer Express		21⅛	+½	25⅝	14⅞	10,268	3.1
Amer T & T		38⅛xd	−⅜	43⅝	33⅛	61,376	2.3
Ameritech		53⅛	−⅜	58⅛	46	23,633	4.8
Anheuser-Busch		33⅞xd	+⅛	41⅛	29⅛	9,225	2.8
BankAmerica		28⅛	----	38⅛	27⅛	8,998	3.3
Bankers NY		50⅛	−⅛	54⅛	42⅝	4,204	4.1
Bell Atlantic		40⅞	−½	44⅛	32⅛	71,789	4.4
BellSouth		37⅛	−⅛	42⅝	32⅞	18,401	5.0
Bethlehem Steel	♥	11⅛	−⅛	13⅛	8½	1,063	–
Bowater		1367p	——	1682p	1189p	495.3	2.9
CPC		31⅛	+½	34⅝	26	4,064	2.7
California Engy		1190p	----	1479p	1060p	216.8	–
Chase Manhattan		27⅛	+⅛	24¾	17⅝	3,248	3.8
Chrysler		37⅛	+⅛	39	31⅛	10,890	1.1
Citicorp		24⅛	−⅛	26	13⅛	8,618	–
Colgate-Palm		38⅛	----	45⅝	32	6,087	2.5
Cont'l Bank		1647p	+20	1677p	1278p	1,654	2.4
Dana		38⅛	−⅛	39⅛	29⅛	1,779	2.8
Data General		555p	−7	501p	527p	180.7	–
Decora Inds	♥	100p	+2	148p	98p	–	–
Dun & Brad		44⅝	−⅛	45⅝	37⅛	7,967	3.7
Eaton		34⅝	----	37⅛	25⅛	2,409	2.3
Echlin		22	−⅛	22⅞	16⅛	1,282	2.1
FPL		24⅛	−⅛	27⅝	23⅛	4,496	5.7
Ford Motor		41⅛	+⅛	43⅛	29⅛	20,540	2.8
Gen Elect		63⅛	+⅛	67⅛	53⅛	54,071	2.7
General Host	♥	462p	−16	722p	458p	–	4.6
Gillette		40⅛xd	+⅛	42⅝	31⅛	8,985	1.4
Hasbro		20⅞	——	20⅞	20⅞	1,819	0.8
Honeywell		21⅛	−⅛	26½	20⅛	4,408	2.8
Houston Inds		31	+⅛	33⅛	28⅛	4,014	5.4
Ingersoll-Rand		25⅛xd	−⅛	25⅛	19⅞	2,544	1.9
Lockheed		46⅛	−½	47⅞	35⅛	2,898	3.8
Loews		3370p	+24	3410p	1573p	2,468	4.8
Maxwy Technology		340p	−63	432p	127p	–	–
Merrill Lynch		61⅛	----	66⅝	37	9,903	1.7
Morgan (JP)		46⅛xd	−⅛	52⅛	38⅛	8,993	3.4
Morris (Philip)	&	36⅛	−⅛	52⅝	36	34,122	4.2
NYNEX	h	28⅝	+⅛	32⅛	26⅛	5,812	5.5
Pall		13⅛	——	10	10⅞	1,596	1.5
Pennzoil		38⅛	−⅛	47⅛	31⅛	1,748	5.2
Quaker Oats		48⅛	+⅛	50⅛	39⅛	3,470	2.9
Questex		289p	−18	887p	49½p	25.3	–
Rockwell		22⅛xd	−⅛	24⅛	18⅛	5,030	2.9
Rep NY		32⅛	−⅛	37⅛	29⅛	1,861	2.3
Sears, Roebuck		35⅛	+⅛	38⅛	18⅛	9,927	2.8
Stnwestern Bell	h	27½	+⅛	30⅛	23⅛	16,495	3.7
Sun Co		21⅛	−½	21⅞	14⅛	2,245	5.7
Tenneco		33⅝	−⅛	36⅛	25½	5,675	3.2
Texaco		43⅛xd	−⅛	46⅛	37⅛	11,271	4.9
Time Warner		30⅛	+⅛	30⅝	18⅝	11,732	0.7
Unilab	♥	384p	+8½	509p	358p	179.4	–
US West		21½	+⅛	36	24⅛	13,055	4.5
Varity		2563p	+14	2817p	1666p	775.0	–
WMX Technologies		15⅞	−⅛	27⅛	15⅛	7,762	2.5
Whirlpool		4151p	−34	4577p	2824p	2,901	3.8
Woolworth	♥	15⅛	−⅛	21½	14	1,966	5.1

CANADIANS

	Notes	Price £	+ or −	1993 high	1993 low	Mkt Cap£m	Yld Gr's
Amer Barrick		2004p	−3	2007p	890½p	6,713	0.3
Bk Montreal	b	13	——	14⅛	11⅛	3,230	4.3
Bk Nova Scot		1460p	−21	1536p	1111p	8,116	3.8
BC Gas	♥	849p	+13	879p	723p	–	3.8
BCE		23⅛	+⅛	26⅛	30⅞	7,159	5.7
Brascan	♥	741p	——	746p	454p	611.1	7.1
Bramalea	♥	8p	−1	18½p	4½p	5.09	–
Can Imp Bk		1553p	+1	1740p	1226p	3,227	4.5
Can Pacific		1153p	——	1162p	810p	3,677	1.4
4pc Deb		47½	——	48½	39	22.2	8.7

BANKS

BREWERS & DISTILLERS

BUILDING MATERIALS

BUSINESS SERVICES

CHEMICALS

CONGLOMERATES

CONTRACTING & CONSTRUCTION

ELECTRICALS

ELECTRICALS - Cont.

ELECTRICITY

ELECTRONICS

ENGINEERING-AEROSPACE

ENGINEERING-GENERAL

ENGINEERING-GENERAL - Cont.

FOOD MANUFACTURING

FOOD RETAILING

HEALTH & HOUSEHOLD

HOTELS & LEISURE

HOTELS & LEISURE - Cont.

INSURANCE BROKERS

INSURANCE COMPOSITE

INSURANCE LIFE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

INVESTMENT COMPANIES

MEDIA

MERCHANT BANKS

METALS & METAL FORMING

MISCELLANEOUS

MOTORS

OIL & GAS

OIL & GAS - Cont.

OTHER FINANCIAL

OTHER INDUSTRIALS

PACKAGING, PAPER & PRINTING

PACKAGING, PAPER & PRINTING - Cont.

PROPERTY

STORES

STORES - Cont.

TELEPHONE NETWORKS

TEXTILES

TRANSPORT

WATER

SOUTH AFRICANS

PLANTATIONS

MINES

MINES - Cont.

Notes	Price	+ or -	1993 high	1993 low	Mkt Cap£m	Yld Gr's
Ennex Intl I£	6¾	+¼	7⅛	3¼	5.07	-
Europa Mins	32	-2	42	15	15.4	-
Glencar Expl I£	11	—	12	6	2.03	-
Greenwich Res	16¼	—	22¼	5	12.5	-
Hemlo Gold C$	£27¼	—	£28⅛	£3½	701.8	1.4
Ivernia West I£	38	—	67	31	16.6	-
Kells Mins I£	12	—	14	6	9.20	-
Kenmare	9½	—	13½	8	9.61	-
Mellnga Res	9½	+2½	25½	7	1.05	-
Nevan Res I£	99	-4	194	25	19.7	-
6pc Ln Notes	96½	—	96½	25	17.7	-
Oryx Gold	45	—	76½	27	-	-
††Ovoca Res I£	10	—	10	3½	0.70	-
RTZ	652	+2	705	607	6,987	5.3

GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ).
- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ◆ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ Free annual/interim report available, see details below.
- ✲ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Not officially UK listed; dealings permitted under Rule 535(2)
- # Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
c Cents.
f Flat yield.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
v Not subject to ACT.
z Dividend yield includes a special payment
E Auction basis
F Yield based on prospectus or other official estimates for 1994-95.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1993.
K Yield based on prospectus or other official estimates for 1993-93
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1993-94.
N Figures based on IMR 'Headline Earnings' draft proposals.
P Figures based on prospectus or other official estimates for 1994.
R Forecast annualised yield, p/e based on prospectus or other official estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1235 a year for each security shown, subject to the Editor's discretion

FT Free Annual Reports Service

You can obtain the current annual/interim report of any company annotated with ♣ . Ring 081 643 7181 (open 24 hours including weekends) or fax 081 770 3822, quoting the code .T2732. [If calling from outside UK, dial +44 81 643 7181 or fax +44 81 770 3822] Reports will be sent the next working day, subject to availability. If faxing please remember to state the weekly changing FT code above and also your post code.

FT Cityline

Up-to-the-second share prices are available by telephone from the FT Cityline service. See Monday's share price pages for details.

An international service is available for callers outside the UK, annual subscription £250 stg.

Call 071-873 4378 (+44 71 873 4378, International) for more information on FT Cityline.

FT MANAGED FUNDS SERVICE

FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

AUTHORISED UNIT TRUSTS

Marks & Spencer Unit Trust Ltd (1200)F
PO Box 410, Chester X, CH99 9DS 0244 688066

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
M & S Inv P'folio	5½	147.8	147.0	158.1	-0.25	1.85
Do Accum	5½	165.4	165.7	177.1	-0.25	1.80
UK Sel P'folio	6½	122.0	122.8	131.1	-0.16	2.11
Do Accum	6½	137.8	138.6	148.2	-0.15	2.11

Marlborough Fund Managers Ltd (1630)F
57 Victoria Square, Bolton, BL1 1LA 0204 364547

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Managed Inc	6	70.02	70.79	75.31	—	3.29

Martin Currie Unit Trusts Ltd (0905)H
Saltire Crt, 20 Castle Terrace, Edinburgh 031-479 4848

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Intl Income	5¼	73.88	74.47	79.06	-0.24	4.07
European (z)	5¼	78.51	78.51	83.34	-0.48	0.68
Income & Growth	5¼	75.75	75.80xd	80.57	-0.44	3.11
Nov American (z)	5¼	62.10	62.10	65.92	-0.31	0.07
Far East (z)	5¼	160.1	160.1	170.0	-1.1	–
Charities	0½	113.1	114.1xd	121.1	-0.8	4.02
Japan	5¼	55.86	55.86	59.41	-0.38	–
Emerging Markets	6	106.1	107.3	114.8	+0.8	0.16
Intl Growth(4-11)	5¼	105.1	106.1xd	112.8	+0.5	0.18
US Growth	5¼	78.78	80.35xd	85.30	-0.32	1.84

PDFM Unit Managers Ltd (1400)F
14 Finsbury Square, London EC2A 1PD 071-628 9070

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
UK Exempt Nov 12	¾	132.63	132.63xd	134.60	—	3.42
Charities Ind Nov 12	¾	173.18	173.18xd	176.76	—	2.61

Pearl Unit Trusts Ltd (1000)F
Pearl Centre, Lynch Wd, Peterborough PE2 6FY
Dealing: 0800 626577 Enquiries: 0733 470470

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Equity	6	228.5	231.8	245.5	-0.48	2.24
(Accum Units)	6	469.5	475.2	505.8	-0.80	2.24
Growth	5	144.4	146.9	154.6	-0.40	2.44
(Accum Units)	6	255.2	260.2	273.9	-0.50	2.44
Income	6	231.8	234.5xd	249.5	-0.40	3.28
Intl Equity	6	240.4	242.0	257.4	-0.30	0.68
(Accum Units)	6	264.8	266.6	283.6	-0.30	0.68
UK Income	6	64.69	64.69	69.07	-0.08	2.82
UK Intl 25	6	74.11	74.98	79.76	-0.16	1.74
UK Smaller Co's Acc	6	79.30	81.49	86.69	-0.31	1.44
New Europe	6	68.16	68.41	72.77	+0.28	0.80

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♦) - 0001 to 1100 hours; (♦) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♦) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation,
Centre Point,
103 New Oxford Street, London WC1A 1QH
Tel: 071-379-0444.

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

INSURANCES

OTHER UK UNIT TRUSTS

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

J Rothschild Assurance PLC

J Rothschild House, Dollar Street, Cirencester
Telephone: 0285 640302 Helpline: 041-307 6500

Life Funds	Bid Price	Offer Price	+ or -	Yield Gross
Income Distribution	108.9	115.7	—	–
JRA/M&G Managed	136.8	144.0	-0.20	–
JRA/Scottish Amicable Mngd.	127.7	134.5	-0.30	–
JRA/St James's Place Mngd.	148.2	157.1	+0.10	–
Deposit	102.6	108.1	—	–
Far East	160.4	168.9	-1.70	–
Gilts	123.9	130.6	+0.10	–
Greater European	133.0	140.1	+0.30	–
North American	149.1	157.0	-0.90	–
UK Equity	128.9	135.7	—	–
Pension Funds				
JRA/M&G Managed cap	136.1	143.3	-0.20	–
JRA/M&G Managed acc	144.8	152.3	-0.20	–
JRA/Scottish Amicable Mngd cap	127.5	134.3	-0.30	–
JRA/Scottish Amicable Mngd acc	135.5	142.7	-0.20	–
JRA/St James's Pl Mngd cap	162.8	171.4	+0.10	–
JRA/St James's Pl Mngd Acc	173.0	182.2	-0.10	–
Deposit cap	101.0	107.2	+0.10	–
Deposit acc	108.2	113.9	-0.10	–
Far East cap	160.9	169.4	-2.00	–
Far East acc	171.0	180.0	-2.20	–
Gilts cap	119.6	125.9	+0.20	–
Gilts acc	127.1	133.8	+0.20	–
Greater European cap	134.9	142.0	-0.30	–
Greater European acc	143.3	150.9	+0.20	–
North American cap	150.1	158.1	-1.80	–
North American acc	159.0	168.0	-1.80	–
UK Equity cap	128.1	134.8	-0.10	–
UK Equity acc	136.2	143.4	-0.10	–

Royal Heritage Life Assurance Ltd

Peterborough Business Pk, PE2 6GG 0733 390000

	Bid Price	Offer Price	+ or -	Yield Gross
Multi Gwth		735.0	—	–
Multi Gwth 5 Cap	462.9	487.1	—	–
Multi Gwth & Accum	735.1	773.5	—	–
Op Prop	431.5	454.3	—	–
Op Equity	859.2	904.5	-0.4	–
Op High Yld	588.7	619.7	+0.3	–
Op Man	755.0	794.8	-1.9	–
Op Dep	380.3	400.4	+0.4	–
Op Inc Dist	228.6	240.7	-0.8	6.180
Op Int Man	455.3	479.3	-1.8	–
Op Emerging Co's	437.8	460.8	-1.8	–

Scottish Provident Group

6 St Andrew Sq, Edinburgh 031-556 2952

Scottish Provident Institution Funds

Life Funds	Bid Price	Offer Price	+ or -	Yield Gross
With-Profits	106.7	112.4	—	–
Managed	257.1	270.7	-0.5	–
Blue Chip	139.1	146.6	-0.2	–
Equity	269.3	283.6	-0.1	–
International	280.5	295.0	+0.4	–
Property	201.2	211.9	—	–
Fixed Interest	222.9	234.8	—	–
Index-linked	185.0	194.8	+0.2	–
Cash	161.9	101.3	—	–
Money Market	119.5	125.9	—	–
American Performance	161.1	190.8	-0.8	–
Europe Performance	120.9	127.4	+0.2	–
Far East Performance	125.7	132.4	-1.1	–
Worldwide Performance	143.3	150.9	+0.9	–
Pension Funds				
With-Profits Ord	200.2	210.8	—	–
Managed Ord	317.9	334.7	-0.6	–
Blue Chip Ord	146.2	154.0	-0.4	–
Equity Ord	333.7	351.3	-0.2	–
International Ord	343.0	362.1	+0.6	–
Property Ord	254.8	268.3	—	–
Fixed Interest Ord	304.8	327.0	-0.1	–
Index-linked Ord	302.6	513.4	+0.2	–
Cash Ord	252.6	266.0	—	–
Building Society Ord	101.3	201.5	—	–
American Performance Ord	203.0	213.8	+0.9	–
Europe Performance Ord	115.9	122.1	+0.2	–
Far East Performance Ord	143.5	151.1	-1.8	–
Worldwide Performance Ord	158.7	167.2	+1.4	–

Scottish Provident Assurance Ltd Funds
(Formerly Prolific Life & Pensions Ltd)

Life Funds	Bid Price	Offer Price	+ or -	Yield Gross
Adventurous Mngd	193.5	205.0	-0.3	–
Balanced Gwth Mngd	767.1	810.1	-0.3	–
Cautious Mngd	142.3	151.4	-0.1	–
Fixed Interest	455.8	480.4	+0.8	–
Gilt Fund 20	479.0	809.8	+0.4	–
Equity	816.5	675.1	-0.3	–
International	413.2	439.6	-0.8	–
Property	227.2	241.8	—	–
Cash	327.8	349.5	—	–
Special Situations	[illegible]	[illegible]	-1.5	–

Sun Alliance Group - Contd.

Sun Life Unit Assurance Ltd

Sun Life Pensions Management Ltd

Swiss Life (UK) PLC

TSB Life Ltd

Target Life Assurance Co Ltd

Teachers' Assurance Company Ltd

Templeton Life Assurance Limited

Tunbridge Wells Equitable

Wesleyan Assurance Society

Windsor Life Assur Co Ltd

Woolwich Life Assurance Co Ltd

Zurich Life Assurance Co Ltd

Royal Life Assurance Ltd

Royal Liver Assurance Ltd

S-E-Banken Life Assurance Co Ltd

Save & Prosper Group (c)

Scottish Amicable

Scottish Equitable Life Assce. Soc.

Scottish Life Investments

Scottish Mutual Assurance plc

Scottish Widows' Group

Skandia Life Assurance Co Ltd (z)

Standard Life Assurance Company

Sun Alliance Group

OFFSHORE INSURANCES

AXA Equity & Law Intl Life Assce Co

Albany International Assurance Ltd

Allied Dunbar International Assurance Ltd (x)

CMI Insurance Co Ltd

CMI Insurance Co Ltd - Contd.

Canbury Life International Ltd

Equitable Life (International)

Eurolife Assurance Group

Finance International Ltd

Hansard International Ltd

Isle of Man Assurance Ltd

Lombard International Group

Pearl Assurance

Professional Investment Consultants

Provident Capital International Ltd

Royal Life Intl. Ltd

Royal Skandia Life Assurance Ltd

Scottish Provident Intl Life Ass Ltd

Sun Alliance International Life

Target International Group

MANAGEMENT SERVICES

Capital Trust Financial Management

Chase de Vere PLC

ECU Tenderbest PLC

Fairmount Financial Services Ltd

Foster & Braithwaite Ltd

Heratminster Financial Services(FM) Ltd

IFS Capital Management PLC

Knight Williams & Company Ltd

Macarthney & Dowie Invest Mngt Plc

Rathbone Investment Management Ltd

Stanley & Co Ltd

United Financial Corporation Ltd

J. D. Ward Financial Services Ltd

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Fidelity Money Funds

Lloyd George Management

Newport Investment Management

Orion Fund Limited

CANADA (SIB RECOGNISED)

CIBC Asset Management

GUERNSEY (SIB RECOGNISED)

AIB Grofund Inv Managers (Guernsey) Ltd

Barclays & Nordic Fd Mangt (Guernsey) Ltd

Baring Intl Fd Managers (Guernsey) Ltd

Equitable International Fund Managers Ltd

Gartmore Fund Managers (Guernsey) Ltd

Hambros Fd Mgrs (CI) Ltd

Hambros Fd Mgrs - Contd.

Kleinwort Benson Intl Fd Mngrs Ltd

Lazard Fund Mngrs (Channel Islands) Ltd

Lloyds Bank Money Market Fund Ltd

M & G (Guernsey) Ltd

Prudential Fund Managers (Guernsey) Ltd

Rothschild Asset Management (CI) Ltd

Royal Bank of Canada Offshore Fd Mgrs Ltd

Sarasin Funds Mngmt (Guernsey) Ltd

GUERNSEY (REGULATED)(**)

ANZ Mngmt Co (Guernsey) Ltd

Arab Bank Fund Managers (Guernsey) Ltd

Bermuda Global Investment Fund Ltd

CIBC Fund Managers (Guernsey) Ltd

Dextrust Management (Guernsey) Ltd

Guernsey Capital Management Ltd

Hambros Fund Managers (CI) Ltd

Henderson Admin. (Guernsey)

Kleinwort Benson Intl Fd Mngrs Ltd

Lazard Fund Managers (CI) Ltd

Lloyds Bank Fund Managers (Guernsey) Ltd

Merrill Lynch Guernsey

Rothschild Asset Mngmt (CI) Ltd

Royal International (Guernsey) Ltd

Schroder Investment Mngmt (Guernsey) Ltd

UBK Asset Management (Guernsey) Ltd

U.S. Advisors (Guernsey) Limited

U.S. Treasury Securities Fd (Gsy) Ltd

Yamaichi Capital Mgmt (Guernsey) Ltd

IRELAND (SIB RECOGNISED)

Baring International Fd Managers (Ireland) Ltd

Coutts & Co Fund Managers Limited

Dresdner Intl Management Services Ltd

Gartmore Fund Managers (Ireland) Ltd

Invesco Fund Managers (Ireland) Ltd

GAM Fund Management Ltd

GT Asset Management (Ireland) Ltd

Morgan Grenfell Investment Funds Ltd

Pacific Investment Funds Plc

Scottish Widows Management Ltd

Singer & Friedlander Inv Funds Ltd

Swiss Life Investment Fund

IRELAND (REGULATED)(**)

BT Fund Managers (Ireland) Ltd

Bank of Ireland Fund Managers

Baring International Fd Mgrs (Ireland) Ltd

Baring Mutual Fund Managers (Ireland) Ltd

Citibank Fund Administration Ireland

Dresdner Intl Mngt Services Ltd

Gartmore Fund Managers (Ireland) Ltd

Kleinwort Benson Capital Mngmt (Ireland) Ltd

Morgan Grenfell Management Ltd

Prudential Fund Managers (Ireland) Ltd

Selectwy Ireland Limited

Ulster Bank Investment Services Ltd

Yellow Sea Investment Company PLC

ISLE OF MAN (SIB RECOGNISED)

J. Rothschild International Assce plc

AXA Equity & Law Intl Fd Mngrs

Asset Global Funds Ltd

CMI Fund Managers (IoM) Ltd

City Financial Admin (IoM) Ltd

Sun Life Management (IoM) Ltd

Wyvern Fund Managers (IoM) Ltd

ISLE OF MAN (REGULATED)(**)

Coutts & Co (Jersey) Fund Managers Ltd

John Govett (Channel Islands) Ltd

JERSEY (SIB RECOGNISED)

AIB Fund Managers (CI) Ltd

Allied Dunbar International Fund Managers Ltd

Hill Samuel Fund Mgrs (Jsy) Ltd

Lloyds Trst Ltd., Gty GT Mgrs.

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGE

D-Mark weaker across board

The D-Mark weakened across the board following the nine-basis-point drop in the rate for two-week German securities repurchase agreements to 6.29 per cent, *writes Conner Middelmann.*

The French franc firmed to FFr3.465 against the D-Mark, from FFr3.476 at Monday's close. The Belgian franc rose to BFr21.23 against the D-Mark, up from BFr21.35 on Monday. The Italian lire also edged higher to close at L978.2 against the D-Mark, from L984.5 on Monday.

While the drop in the German repo rate had been largely discounted, it was seen to facilitate near-term rate cuts among its European neighbours, notably France and Belgium. This underpinned those countries' currencies on the belief that further rate cuts will revive their flagging economies.

The Danish krone also firmed against the D-mark, despite yesterday's ¼-point cut in its two-week certificate of deposit rate to 7.50 per cent and Monday's ¼-point reduction in its discount and deposit rates to 6.75 per cent. The krone rose to around DM3.9765 from DM3.9935 on Monday.

While many market participants expect the Bank of Denmark to continue cutting rates independently of the Bundesbank, some say it may start to throttle the easing pace. "They are being very cautious - like the Bank of France, they don't want to trigger speculative flows out of their currency," said Mr Adrian Cunningham, senior currency economist with UBS.

Although the Danish krone has put on a strong performance in absolute terms since the European exchange-rate mechanism was revamped on August 2, it nevertheless remains the weakest currency in the EMS currency grid.

Sterling also received a boost from the German repo rate reduction, breaching a key technical resistance level at DM2.5175 and closing at DM2.5275. Today's UK retail sales and price data will be closely watched and could provide further upside for sterling, traders said.

The US dollar remained subdued in tense trading as dealers awaited the result of today's vote in the US congress on the North American Free Trade Agreement (Nafta). The outcome of the vote is expected to be known around 0100GMT.

While the vote still appeared to be a close call, cautious optimism that the trade pact might scrape through Congress supported the dollar in late London trading.

It continued its slow recovery against the Japanese yen, closing at Y106.55, up slightly from Y106.50 on Monday. Against the D-Mark it ended at DM1.7020, up from DM1.6900 on Monday.

The Canadian dollar slipped to C$1.3212 against the US dollar after the Canadian government announced its budget deficit for the current fiscal year would be C$40.5bn, compared to previous forecasts for C$35.5bn. The currency closed at C$1.3190.

£ IN NEW YORK

Nov 16	Latest	Previous Close
£ Spot	1.4830 - 1.4840	1.4880 - 1.4890
1 month	0.35 - 0.34pm	0.33 - 0.32pm
3 months	0.83 - 0.82pm	0.83 - 0.81pm
12 months	2.53 - 2.47pm	2.49 - 2.43pm

Forward premiums and discounts apply to the US dollar

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Nov 16	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator‡
Dutch Guilder	2.19672	2.15438	-1.93	4.84	-
D-Mark	1.94964	1.91978	-1.53	4.42	-
Irish Punt	0.808628	0.805138	-0.43	3.27	3
Spanish Peseta	154.250	155.309	0.69	2.12	-5
Portuguese Escudo	192.854	195.501	1.37	1.43	-9
Belgian Franc	40.2123	40.7954	1.45	1.35	-11
French Franc	6.53883	6.63830	1.38	0.82	-17
Danish Krone	7.43679	7.64548	2.82	0.00	-18

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate. ‡Indicative values only. Divergence indicators are based on 15% band limitations but do not show the 2.25% band between the Dutch Guilder and D-Mark.

POUND SPOT - FORWARD AGAINST THE POUND

STERLING INDEX

CURRENCY RATES

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

CURRENCY MOVEMENTS

EURO-CURRENCY INTEREST RATES

OTHER CURRENCIES

Nov 16	£	$
Korea(Sth)	1201.70 - 1201.90	807.600 - 807.700
Kuwait	0.44385 - 0.44520	0.29830 - 0.29920
Luxembourg	53.60 - 53.70	36.05 - 36.15
Malaysia	3.7895 - 3.7915	2.5465 - 2.5475
Mexico	4.7465 - 4.7765	3.1900 - 3.2100
N.Zealand	2.7550 - 2.7600	1.8515 - 1.8545
Saudi Ar	5.5820 - 5.5845	3.7515 - 3.7525
Singapore	2.3660 - 2.3680	1.5900 - 1.5910
S.Af (Cm)	4.9995 - 5.0015	3.3600 - 3.3615
S.Af (Fn)	6.3685 - 6.3835	4.2800 - 4.2900
Taiwan	39.85 - 40.00	26.80 - 26.90
U.A.E.	5.4650 - 5.4655	3.6725 - 3.6735

EXCHANGE CROSS RATES

	£	$	DM	Yen	F Fr.	S Fr.	N Fl.	Lira	C $	B Fr.	Pta	Ecu
£	1	1.485	2.527	158.2	8.757	2.225	2.837	2472	1.958	53.65	203.9	1.316
$	0.673	1	1.702	106.5	5.897	1.498	1.910	1665	1.319	36.13	137.3	0.886
DM	0.396	0.588	1	62.60	3.465	0.880	1.123	978.2	0.775	21.23	80.69	0.521
YEN	6.321	9.387	15.97	1000.	55.35	14.06	17.93	15626	12.38	339.1	1289	8.319
F Fr.	1.142	1.696	2.886	180.7	10.	2.541	3.240	2823	2.236	61.27	232.8	1.503
S Fr.	0.448	0.667	1.136	71.10	3.936	1	1.275	1111	0.880	24.11	91.64	0.591
N Fl.	0.352	0.523	0.891	55.76	3.087	0.784	1	871.3	0.690	18.91	71.87	0.464
Lira	0.405	0.601	1.022	64.00	3.542	0.900	1.148	1000.	0.792	21.70	82.48	0.532
C $	0.511	0.758	1.291	80.80	4.472	1.136	1.449	1263	1	27.40	104.1	0.672
B Fr.	1.864	2.768	4.710	294.9	16.32	4.147	5.288	4608	3.650	100.	380.1	2.453
Pta	0.490	0.728	1.239	77.59	4.295	1.091	1.391	1212	0.960	26.31	100.	0.645
Ecu	0.760	1.128	1.920	120.2	6.654	1.691	2.156	1878	1.488	40.77	154.9	1.

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100: Peseta per 100.

FINANCIAL FUTURES AND OPTIONS

LONDON (LIFFE)

CHICAGO

PARIS

OPTION ON LONG-TERM FRENCH BOND (MATIF) (Nov 16)

Strike	Calls December	Calls March	Calls June	Puts December	Puts March	Puts June
123	1.04	-	-	0.05	-	-
124	0.27	-	-	0.35	0.17	-
125	0.04	-	-	1.07	0.28	-
126	-	-	-	-	0.50	-
127	-	1.76	-	-	0.82	-
Open Int	203,128	108,110	890	180,112	85,324	900

Estimated volume 34,313 † Total Open Interest 578,522

† All Yield & Open Interest figures are for the previous day.

* Contracts traded on APT. Closing prices shown.

POUND - DOLLAR

FT FOREIGN EXCHANGE RATES

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.4855	1.4821	1.4773	1.4708	1.4605

BASE LENDING RATES

	%
Adam & Company	6
Allied Trust Bank	6
AIB Bank	6
●Henry Ansbacher	6
Bank of Baroda	6
Banco Bilbao Vizcaya	6
Bank of Cyprus	6
Bank of Ireland	6
Bank of India	6
Bank of Scotland	6
Barclays Bank	6
Brit Bk of Mid East	6
●Brown Shipley	6
CL Bank Nederland	6
Citibank NA	6
City Merchants Bank	6
Clydesdale Bank	6
The Co-operative Bank	6
Coutts & Co	6
Credit Lyonnais	6
Cyprus Popular Bank	6
Duncan Lawrie	6
Exeter Bank Limited	7
Financial & Gen Bank	7
●Robert Fleming & Co	6
Girobank	6
●Guinness Mahon	6
Habib Bank AG Zurich	6
●Hambros Bank	6
Heritable & Gen Inv Bk.	6
●Hill Samuel	6
C. Hoare & Co	6
Hongkong & Shanghai	6
Julian Hodge Bank	6
●Leopold Joseph & Sons	6
Lloyds Bank	6
Meghraj Bank Ltd	9
Midland Bank	6
* Mount Banking	6
* (in administration)	
NatWestminster	6
●Rea Brothers	6
* Roxburghe Bank Ltd	6
* (in administration)	
Royal Bk of Scotland	6
●Smith & Williman Secs	6
Standard Chartered	6
TSB	6
●United Bk of Kuwait	6
Unity Trust Bank Plc	6
Western Trust	6
Whiteaway Laidlaw	6
Wimbledon & Sth West	7
Yorkshire Bank	6

● Members of British Merchant Banking & Securities Houses Association

MONEY MARKETS

German repo rate ease

The minimum rate for German 15-day securities repurchase agreements fell nine basis points to 6.29 per cent at the Bundesbank's latest open-market operation, *writes Conner Middelmann.*

A substantial drop in the repo rate had been widely expected after the rate for D-Mark overnight funds eased by about 10-15 basis points last week. Call money remained unchanged after the operation at about 6.30 per cent due to a DM3.2bn liquidity drain at the allocation.

UK clearing bank base lending rate 6 per cent from January 26, 1993

In spite of this week's larger drop in the repo rate - following last week's tiny one-basis-point reduction - most market participants do not expect the Bundesbank's central bank council to lower Germany's leading discount and Lombard rates at its meeting tomorrow. The Council meets again on December 2 and 18, and most traders are betting on another round of key rate cuts at either of these meetings.

The Dutch central bank swiftly followed the Bundesbank, cutting its special advances rate by 0.10 basis points to 6 per cent. The move had been widely expected and caused no ripples.

Also as expected, the Danish central bank cut its two-week certificate of deposit rate by ¼ point to 7.50 per cent following Monday's ¼-point cut in its discount and deposit rates to 6.75 per cent.

Austria left its rates unchanged. The discount and Lombard rates are half a point below German levels and the central bank cut its GOMEX rate by 10 basis points to 6.1 per cent last week.

According to Mr André de Silva, market strategist at PaineWebber International, the French and Belgian authorities might soon be tempted to shave official rates.

Having lagged the Bundesbank's rate cuts in recent months, "lower money market rates in Germany plus a relatively firm franc could well prove irresistible (for the Bank of France) and see 20 basis points off the intervention rate," currently at 6.45 per cent, he said.

In Belgium, the focus remains on the government talks for a social pact. "If a deal is struck today, we could see a rate cut by the end of the week," said Mr de Silva.

In the sterling money market the Bank of England forecast a flat liquidity situation and carried out no money-market operations. The short sterling future rose 0.03 point to 94.47.

FT LONDON INTERBANK FIXING

MONEY RATES

LONDON MONEY RATES

MONEY MARKET FUNDS

Money Market Trust Funds

Money Market Bank Accounts

WORLD STOCK MARKETS

CANADA

TORONTO

4 pm close November 16

Quotations in cents unless marked $

MONTREAL

4 pm close November 16

Total Sales 38,977,085 shares

JAPAN

INDICES

NEW YORK DOW JONES

	Nov 15	Nov 12	Nov 11	Nov 10	1993 HIGH	1993 LOW	Since compilation HIGH	Since compilation LOW
Industrials	3677.52	3684.51	3662.43	3653.55	3697.64 (2/11)	3241.95 (20/1)	3697.64 (2/11/93)	41.22 (2/7/32)
Home Bonds	109.28	109.17	109.13	108.97	109.77 (18/10)	103.49 (11/1)	109.77 (18/10/93)	54.99 (1/10/81)
Transport	1753.14	1752.07	1734.98	1741.38	1753.14 (15/11)	1453.84 (4/1)	1753.14 (15/11/93)	12.32 (8/7/32)
Utilities	222.45	224.95	223.97	225.68	256.46 (31/8)	217.14 (6/1)	256.46 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's High 3705.74 (3707.42) Low 3653.49 (3648.74) (Theoretical♦)
Day's High 3687.02 (3690.65) Low 3670.25 (3662.43) (Actual♦)

STANDARD AND POOR'S

	Nov 15	Nov 12	Nov 11	Nov 10	1993 HIGH	1993 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	463.75	465.39	462.64	463.72	469.50 (15/10)	429.05 (2/1)	469.50 (15/10/93)	4.40 (1/6/32)
Industrials♥	537.17	538.62	534.96	535.39	538.62 (12/11)	496.48 (26/4)	538.62 (12/11/93)	3.62 (21/6/32)
Financial	43.51	43.86	43.57	44.03	48.46 (28/9)	39.89 (8/1)	48.40 (28/9/93)	8.64 (1/10/74)
NYSE Composite	256.58	257.57	256.08	256.57	260.48 (15/10)	236.21 (8/1)	260.48 (15/10/93)	4.46 (25/4/42)
Amex Mkt. Value	477.82	478.60	477.98	476.70	484.28 (2/11)	395.84 (8/1)	484.28 (2/11/93)	29.31 (9/12/72)
NASDAQ Composite	772.45	779.32	778.98	776.50	787.42 (15/10)	645.87 (26/4)	787.42 (15/10/93)	54.87 (31/10/72)

	Nov 5	Oct 29	Oct 22	year ago (approx.)
Dow Industrial Div. Yield	2.80	2.77	2.79	3.20
	Nov 10	Nov 3	Oct 27	year ago (approx.)
S & P Industrial div. yield	2.40	2.41	2.42	2.65
S & P Indl. P/E ratio	28.69	28.61	28.51	27.73

NEW YORK ACTIVE STOCKS

Monday	Stocks traded	Closing price	Change on day
Texas Utilities	6,412,200	42¾	- ⅛
Merck	5,676,800	32¼	---
Telefonos	4,540,600	54⅝	- 1⅛
RJR Nabisco	3,625,600	6⅞	- ⅛
Philip Morris	2,966,400	57⅞	- 1⅛
Amer Barrick	2,689,000	29⅞	- ¼
Paramount	2,691,800	79⅞	- 3½
Mitel Corp	2,199,100	5⅞	- 1¼
Blockbuster	2,173,800	31¼	+ 1⅛
Wal-Mart Strs	2,128,800	29¼	---

TRADING ACTIVITY

† Volume (Millions)	Nov 15	Nov 12	Nov 11
New York SE	242.476	322.317	283.824
Amex	18.902	18.838	17.780
NASDAQ	(u)	307.747	318.740
NYSE			
Issues Traded	2,654	2,648	2,656
Rises	830	1,210	912
Falls	1,238	832	1,110
Unchanged	586	606	634
New Highs	54	67	89
New Lows	44	48	26

CANADA TORONTO

	Nov 15	Nov 12	Nov 11	Nov 10	1993 HIGH	1993 LOW
Metals & Minerals	3158.84	3184.07	3153.99	3069.68	3184.07 (12/11)	2743.31 (21/1)
Composite	4281.80	4302.80	4291.26	4259.53	4302.80 (12/11)	3275.80 (21/1)
MONTREAL Portfolio	2017.09	2026.02	2027.41	2023.24	2027.41 (11/11)	1720.97 (21/1)

Base values of all indices are 100 except NYSE All Common - 50; Standard and Poor's - 10; and Toronto Composite and Metals - 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds.‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable. ♦ The DJ Indl. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

WORLD INDICES

	Nov 16	Nov 15	Nov 12	Nov 11	1993 HIGH	1993 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	2089.8	2082.9	2074.0	2052.4	2132.40 (1/11)	1495.00 (13/1)
All Mining (1/1/80)	(u)	873.4	870.4	864.8	904.50 (2/8)	584.70 (13/1)
AUSTRIA						
Credit Aktien (30/12/84)	416.26	415.42	413.31	413.77	424.59 (2/11)	300.26 (14/1)
Traded Index (2/1/91)	1067.6	1064.34	1052.81	1054.73	1094.43 (2/11)	712.06 (15/1)
BELGIUM						
BEL20 (1/1/91)	1375.82	1376.33	1369.47	1367.33	1391.99 (4/11)	1125.46 (4/1)
DENMARK						
Copenhagen SE (3/1/83)	349.45	351.54	351.89	352.21	355.14 (4/11)	261.90 (4/1)
FINLAND						
HEX General (28/12/90)	1542.9	1518.8	1531.0	1532.9	1607.70 (3/11)	843.18 (22/1)
FRANCE						
CAC General (31/12/81)	592.55	587.48	582.16	(c)	609.73 (26/10)	471.24 (13/1)
CAC 40 (31/12/87)	2115.85	2117.90	2096.85	(c)	2231.86 (22/10)	1772.21 (29/1)
GERMANY						
FAZ Aktien (31/12/58)	795.37	786.86	777.90	779.53	803.70 (3/11)	598.92 (14/1)
Commerzbank (1/12/53)	2274.1	2249.1	2222.0	2228.0	2300.40 (3/11)	1694.30 (14/1)
DAX (30/12/87)	2071.72	2049.11	2015.01	2023.33	2095.58 (2/11)	1516.50 (13/1)
HONG KONG						
Hang Seng Bank (31/7/64)	9683.65	9733.34	9701.25	9674.89	9733.34 (15/11)	5437.80 (4/1)
IRELAND						
ISEQ Overall (4/1/88)	1824.24	1832.98†	1830.05	1842.08	1849.27 (3/11)	1191.19 (11/1)
ITALY						
Banca Com. Ital. (1972)	534.13	545.42	546.32	538.97	632.88 (30/8)	446.33 (6/1)
MIB General (4/1/93)	1199.0	1202.0	1204.0	1188.0	1390.00 (30/8)	992.00 (11/1)
JAPAN						
Nikkei (16/5/49)	18246.12	18074.81	18493.55	18158.52	21148.11 (13/9)	16287.45 (25/1)
Tokyo SE (Topix) (4/1/68)	1549.34	1539.65	1566.07	1534.58	1698.67 (3/9)	1250.06 (25/1)
2nd Section (4/1/68)	2000.47	2009.28	2022.50	1974.57	2384.97 (7/6)	1631.72 (26/1)
MALAYSIA						
KLSE Composite (4/4/86)	951.30	961.37	972.47	967.80	982.03 (3/11)	814.28 (13/1)
NETHERLANDS						
CBS Ttl.Rtn.Gen.(End 1983)	406.7	408.5	404.6	404.1	419.30 (4/11)	295.70 (4/1)
CBS All Shr (End 1983)	263.8	264.8	262.4	262.1	272.00 (4/11)	198.60 (13/1)
NORWAY						
Oslo SE (Ind) (2/1/83)	1011.03	1001.16	1001.19	991.68	1034.93 (26/10)	669.93 (27/1)
PHILIPPINES						
Manila Comp (2/1/85)	2407.81	2384.89	2368.70	2371.87	2467.50 (3/11)	1270.68 (4/1)
SINGAPORE						
SES All-Singapore (2/4/75)	541.75	545.44	548.49	552.25	564.35 (1/11)	394.10 (13/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	1940.0♥	1942.0	1983.0	1976.0	2098.00 (30/7)	775.00 (5/1)
JSE Industrial (28/9/78)	4692.0♥	4636.0	4621.0	4607.0	4719.00 (8/7)	4333.00 (19/4)
SOUTH KOREA**						
Korea Comp Ex (4/1/80)	802.65	810.72	791.47	783.35	810.72 (15/11)	605.93 (6/3)
SPAIN						
Madrid SE (30/12/85)	302.93	300.89	300.04	300.57	310.28 (22/10)	215.60 (4/1)
SWEDEN						
Affarsvarlden Gen. (1/2/37)	1398.5	1402.8	1402.30	1398.30	1435.10 (4/11)	879.10 (28/1)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	1179.84	1181.18	1182.51	1180.62	1185.33 (10/11)	904.80 (11/1)
SBC General (1/4/87)	930.62	931.32	929.72	929.16	937.60 (3/11)	678.70 (11/1)
TAIWAN**						
Weighted Price (30/6/66)	4301.25	4329.05	(c)	4271.14	5013.29 (7/4)	3088.43 (9/1)
THAILAND						
Bangkok SET (30/4/75)	1386.77	1367.31†	1380.84	1371.26	1380.84 (12/11)	818.84 (1/6)
WORLD						
M.S. Capital Intl.(1/1/70) $	598.6*	598.3	597.3	593.2	607.10 (15/10)	498.60 (13/1)
Euro Top-100 (26/6/90)	1141.1	1149.26	1138.92	1137.62	1175.45 (22/10)	882.73 (13/1)

**Saturday November 13. Taiwan Weighted Price; (c), Korea Comp Ex; 796.85.
♥ Subject to official recalculation. † Correction. *Calculated at 15.00 GMT.

Base values of all indices are 100 except Austria Traded, BEL20, HEX Gen., MIB Gen., CAC40, Euro Top-100, ISEQ Overall and DAX - 1,000, JSE Gold - 255.7, JSE 25 Industrials - 264.3 and Australia All Ordinary and Mining - 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Tuesday, November 16, 1993

	Stocks Traded	Closing Prices	Change on day
Nippon Steel	10.2m	334	-
Mitsubishi Hvy	4.9m	655	+4
Daikyo	2.7m	946	-124
Kawasaki Steel	2.6m	318	-6
Hitachi	2.6m	800	-2
Higashi Nip Bk	2.8m	783	-
Nomura Sec	2.6m	1,520	+10
Sanwa Bank	2.6m	2,380	+10
Daiwa Sec	2.3m	1,290	-10
Matsushita E Ind	2.3m	1,420	-10

4 pm close November 16

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1993 High	1993 Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chg'e Prev. Close
14 5/8	11 1/2	AAR	0.48	3.6	675	346	13 3/4	13 1/2	13 1/2	
23 7/8	13 3/4	A L Labs A	0.10	1.3	32	1195	14 1/2	13 7/8	14 1/8	-3/8
67 1/4	54 5/8	AMP	1.80	2.7	21	6854	60 1/8	58 5/8	66	-2 3/4
72 1/4	55 1/2	AMR			66	2753	71 3/4	31	31 1/2	+1/8
3 7/8	1 3/4	ARX			13	174	3 1/2	3 3/8	3 3/8	-1/8
31 1/2	29 3/4	ASA	2.00	4.2	31	534	49 1/8	48	48 1/8	-1 1/8
30 3/4	22 5/8	AbbotL	0.90	2.3	16	9755	29 3/8	28 3/4	29 3/8	+1/8
12 5/8	9 1/8	Abitibi Pr	0.50	4.7	6	32	10 3/4	10 5/8	10 3/4	
15 5/8	9 1/4	Acpincafe			20	237	12 7/8	12 1/8	12 1/8	-1/2
36	25 1/2	ACE Ltd	0.92	3.0	6	1841	30 7/8	30 1/4	30 3/8	-3/8
12	10 3/4	ACM Gvt In	0.90	0.2		478	11 7/8	11 3/4	11 3/4	-1/8
10 1/8	9 1/8	ACM GvOpp	0.80	8.3		40	9 5/8	9 1/2	9 5/8	+1/8
10 1/8	8 3/4	ACM Gvt Sp	0.90	8.1		586	9 7/8	9 3/4	9 7/8	+1/8
11 5/8	10 1/2	ACM Gvt Se	0.96	8.4		1641	d11 5/8	11 3/8	11 3/8	-1/8
11 7/8	9 5/8	ACM Man	1.08	9.2		210	11 3/4	11 1/8	11 3/4	+1/8
9 5/8	8 5/8	ACM Mgmgd	0.72	7.9		34	9 1/4	9 1/8	9 1/8	
12 3/8	7 3/4	AcmeClv	0.44	4.2	14	239	10 1/2	10 1/4	10 1/2	+1/8
11 1/8	6 3/8	Acme Elect			39	56	8 3/4	8 1/2	8 3/4	
27 7/8	18 3/8	Acordia	0.44	2.0	12	166	22 1/8	21	21 1/8	-1 1/8
16	10 3/8	Acuson			63	369	14	13 3/4	14	+1/4
31 1/8	18 1/4	Adams Expr	0.48	2.6	8	176	18 1/4	d18 1/8	18 1/4	-1 3/8
65 1/4	45 1/2	Ad Micro	3.00	6.1		168	50 1/4	48 3/4	48 1/2	-3/4
22 3/4	17 3/8	AdvMic	3.00	15.4	7	7829	20 1/4	18 3/8	19 1/2	-1/2
8 1/8	5 1/2	Advest Grp	0.16	2.2	12	49	7 1/8	7	7 1/8	+1/8
24 3/4	14 1/4	Adro Inc	0.60	0.5	73	290	15 3/4	15 1/4	15 1/2	
51 3/4	41 1/8	Aegon ADR	1.23	2.5	10	55	50 1/2	49 7/8	49 7/8	-3/8
66 1/4	43 3/8	AetnaL	2.76	4.5	26	802	60 7/8	60 1/4	60 3/8	+3/8
[illegible]										

- B -

[illegible]

- C -

[illegible]

- D -

[illegible]

- E -

[illegible]

- F -

[illegible]

- G -

[illegible]

- H -

[illegible]

- I -

[illegible]

- J -

[illegible]

- K -

[illegible]

- L -

[illegible]

- M -

[illegible]

- N -

[illegible]

- O -

[illegible]

- P - Q -

[illegible]

- R -

[illegible]

- S -

[illegible]

Continued on next page

4 pm close November 16

NYSE COMPOSITE PRICES

1993 High	Low	Stock	Div.	Yld. %	P/ E	Sls 100s	High	Low	Close Quote	Chge Prev. Close
Continued from previous page										
25¾	16⅞	Salag'd Sc			12	52	u25⅞	25⅝	25⅞	+⅛
24¾	13⅛	Sally	0.36	2.7	20	1474	13½	d13⅛	13½	+¼
22¾	10⅞	Safeway			25	839	21½	20⅞	20⅞	-⅛
6¼	2	SafewayW96				40	5	4¾	4¾	-⅛
50	37½	StJoePaper	0.20	0.4	191	37	52	51⅝	51⅝	-⅜
37⅞	31	StJoeLP	1.76	5.7	12	43	21⅝	d31	31	-⅝
96	75	StPaul	2.80	3.1	14	1480	90⅝	89⅝	90⅝	+1
11⅝	7¼	Salant Cp			0	18	8	7⅞	7⅞	+⅛
75¼	39⅞	Sallie Mae	1.20	2.6	10	2988	46½	45½	45½	-¼
14⅞	13	Salomon Br	0.32	2.2		880	u14⅞	14¾	14⅞	+¼
91⅞	34	Salomon	0.64	1.5	10	3306	43¾	42⅝	43¼	+¾
27¾	23¼	SnDgGE	1.48	0.8	18	487	24⅝	24⅜	24⅜	+⅛
5	3½	SantaFeEDu	0.48	8.2	48	10	4⅞	4⅞	4⅞	
11⅞	9⅛	SantaFeEPtn	0.16	1.6	333	694	10	9¾	10	
40¾	35¾	SantaFePac	2.80	7.3	18	68	38⅞	38¼	38½	-½
21⅞	12¾	SanFeP	0.10	0.5	8	3082	21⅝	20½	21	+¼
21⅛	21	SaraLee	0.80	2.1	19	5209	20	27½	27½	-¼
62¾	40⅛	Scana Corp	2.74	0.8	13	212	49¼	48½	49¼	+¼
25⅞	20	Scecp	1.42	6.9	14	8349	20⅝	20¼	20⅝	+⅛
38⅞	23⅞	ScheredP			27	68	33⅞	33⅛	33⅞	+⅜
71	31¾	SchrPl	1.80	2.7	18	6348	67⅞	66¾	67½	+⅜
68⅞	55⅞	Schlmb	1.20	2.0	24	6644	60⅞	59½	61	+1
38⅞	18½	Schwab(C)	0.20	0.6	18	2137	33⅞	32½	33	-¼
7¾	5⅞	Schwitzer			96	55	6⅞	6⅞	6¾	+⅛
38⅞	17¼	SciAtl	0.12	0.4	49	4932	33⅞	32	32½	-¾
15⅞	9⅛	Scotman	0.16	0.8	12	32	12¾	12¾	12¾	-⅛
41	31	ScotP	0.80	2.1	24	1592	38⅝	37¼	38¼	+¾
28⅞	14¼	ScuddrNEoF	0.21	0.8		74	24⅞	24¾	24⅞	
11⅝	7½	ScuddrNEoF	0.16	1.7		626	9⅞	9⅝	9⅝	-⅛
31½	16⅝	SeaCnB	0.70	3.9	8	8	18	18	18	-⅛
17	16	SeaC1.4625	1.46	9.4		14	15⅞	15⅞	15⅝	-⅛
30⅜	24½	Seagrm	0.56	2.0	18	2825	27½	27⅜	27½	+⅜
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

NASDAQ NATIONAL MARKET

4 pm close November 16

Stock	Div.	P/ E	Sls 100s	High	Low	Last	Chng
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

AMEX COMPOSITE PRICES

4 pm close November 16

Stock	Div.	P/ E	Sls 100s	High	Low	Close	Chng
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

AMERICA

Uncertainty on Nafta vote restrains Dow

Wall Street

US SHARE prices weakened slightly across the board yesterday morning as many investors and dealers stayed on the sidelines to await today's crucial Nafta vote, *writes Patrick Harverson in New York.*

At 1 pm, the Dow Jones Industrial Average was down 2.24 at 3,657.28. The more broadly based Standard & Poor's 500 was 0.29 lower at 463.46, while the Amex composite was down 2.65 at 475.17, and the Nasdaq composite 4.43 lower at 768.02. NYSE volume was 162m shares by 1 pm.

As on Monday, trading was hampered by uncertainty surrounding the outcome of the House of Representatives' vote (due some time tonight) on the North American Free Trade Agreement. The markets view passage of Nafta as clearly bullish for equities – free trade should promote exports and economic growth, say economists – but remain concerned that a majority of House members may vote against the treaty on the grounds that it will lead to a loss of US jobs to Mexico.

Although both sides claimed yesterday that they had enough votes for victory, the markets believe that President Clinton will secure enough support in the House to ensure that Nafta passes into law. Yet there were enough doubts to persuade many investors and dealers to stay clear of the markets until after today's decision has been made.

Stock market sentiment was not helped by further declines in bond prices, which pushed the yield on the benchmark 30-year bond up to 6.16 per cent and fuelled fears that long-term interest rates may be on the rise.

Among individual stocks, Telefonos de Mexico, the market's biggest "Nafta play", continued to be buffeted by the uncertainty surrounding the treaty's fortunes. After posting declines in the previous two trading days, Telmex rebounded $1⅞ to $56⅝ yesterday in volume of 3.8m shares.

Much of the weakness in the Dow was attributable to the big decline in Caterpillar shares, which fell $3 to $86⅝ in heavy trading after the broking house, Donaldson Lufkin & Jenrette, downgraded the stock from "buy" to "moderately attractive" and lowered its earnings forecasts.

General Motors class "E" shares climbed $1⅞ to $29⅝ on the news that the company is considering using 186m of the shares to fund its pension liability if it receives the go-ahead of regulators. GM "A" shares were also stronger, up $1¼ at $52⅝.

On the Nasdaq market, leading technology stocks were in mixed form. Intel fell $1 to $59 and Borland International dropped $¾ to $17⅞ but Apple rose $1 to $33 and Microsoft added $¾ at $81.

MEXICAN equities continued their forward progress as most investors remained satisfied that the Nafta pact would be passed by the US congress later today. The IPC index was 37.04, or 1.7 per cent, higher at 2,160.37 in midsession trading. Volume was estimated at some 4.2m shares.

Canada

TORONTO was marked down at midday as today's US vote on Nafta and a depressed gold sector weighed on confidence. The TSE-300 index shed 13.74 to 4,268.04.

EUROPE

Credito Italiano bucks Milan downtrend

WITH global strategists concentrating on the big picture – Nafta, Latin America and Asia – bourses were left to their own devices, *writes Our Markets Staff.*

MILAN, where trading was delayed until midsession by technical problems with the screen based system, was lower on the last day of the November account, the Comit index shedding 11.29 or 2.1 per cent to 534.13.

Credito Italiano bucked the trend, adding L104 to L2,357 after a high of L2,389 in a continued response to Monday's profit and dividend announcement, and plans for its privatisation.

Heavily traded telecommunications stocks were marked down on profit-taking and position squaring. Stet shed L107 to L5,571 and Sip L164 to L3,010.

Fiat shares dipped L31 to L5,578 as many shorts were carried over to the December trading period, for technical reasons associated with the end of the rights issue.

FRANKFURT reflected a repo rate cut, strength in derivatives and high hopes in banking as it celebrated today's holiday with the DAX index 23.61 higher at 2,071.72.

Turnover rose again, from DM9.7bn to DM11.1bn. A nine basis points cut in the repo rate suggested that another cut in key interest rates would come sooner rather than later, and brought buying orders for the DAX future.

This lifted the big blue chips, particularly Allianz which rose DM71 to DM2,901, with Daimler up DM7.50 to DM715.50 and Siemens DM5.50 better at DM727.50.

In banks, the focus turned to Dresdner, DM9.50 higher at DM435.50, and to Commerzbank, up DM7.50 to DM357.50 on talk that its impending nine-month profits would show a rise appreciably greater than the 50 per cent plus it forecast at the end of last month.

PARIS had an opportunity to react to the government's fixing of the Rhône-Poulenc share offer which came in at the lower end of expectations. The shares in the chemicals and pharmaceuticals group put on FFr3.00 to FFr156.60, compared with the price of FFr135 set for sale to retail investors.

The CAC-40 index gained 6.76 to 2,124.66. Générale des Eaux advanced FFr85 to FFr2,646 on positive company comments while Euro Disney picked up 80 centimes to FFr34.00 as some buyers returned following a sharp decline last week.

AMSTERDAM softened slightly as some of the major international stocks weakened. The CBS Tendency index slipped 0.3 to 137.6.

Royal Dutch shed Fl 3.00 to Fl 193.70 as one London-based broker came out with a downgrade on the stock from hold to sell. Kleinwort Benson commented that while the group offered a "safe earnings and dividend stream", the recent outperformance in the share price was a good opportunity to take profits.

Fokker picked up 60 cents to Fl 22.80 after announcing that it had won an order to supply new aircraft to the UK.

MADRID saw contrasts in the banking sector as the general index rose 2.04 to 302.93.

Argentaria climbed Pta290, or 4.7 per cent to a new high of Pta6,410 as Banesto dropped Pta45, or 1.8 per cent to Pta2,425. The former was setting the price for a second share offer late yesterday, and dealers were looking for something at the top of the range; the latter reported a nine-month loss, after provisions.

ZURICH was easier in low volume, awaiting tonight's Nafta vote and its impact on US markets, and the SMI index shed 5.1 to 2,712.2.

BRUSSELS was little moved in spite of a strong rally in GIB, which rose BFr34 or 2.6 per cent to BFr1,368 as the Bel-20 index shed just 0.26 to 1,375.92.

Elsewhere Petrofina lost BFr40 to BFr9,750 and SGB BFr55 or 2.2 per cent to BFr2,435. Solvay advanced BFr75 to BFr14,375 on reports that a tax on some of its products may be delayed.

STOCKHOLM lost ground after falls in both Astra and Ericsson depressed sentiment. The Affärsvärlden general index declined 14.3 to 1,339. Turnover was SKr1.4bn.

Ericsson B shares fell SKr14 to SKr406 while Astra lost SKr1 to SKr170.

HELSINKI rose by 1.7 per cent, the Hex index closing higher at 1,542.9. A preliminary one-year pay deal in the paper industry took the forest shares index up by 2.9 per cent.

ATHENS advanced on reports that the government may impose a tax on repurchase agreements, which analysts believe will entice funds back into equities. The general index added 5.09 to 888, on good turnover of some Dr8bn.

Written and edited by William Cochrane, John Pitt and Michael Morgan.

FT-SE Actuaries Share Indices — THE EUROPEAN SERIES

November 16	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
Hourly changes								
FT-SE Eurotrack 100	1353.35	1353.52	1352.85	1352.77	1353.88	1354.02	1351.98	1353.29
FT-SE Eurotrack 200	1414.40	1416.06	1414.88	1415.51	1416.45	1417.31	1415.44	1416.29

	Nov 16	Nov 12	Nov 11	Nov 10	Nov 9
FT-SE Eurotrack 100	1347.91	1339.42	1335.62	1334.90	1346.87
FT-SE Eurotrack 200	1413.86	1402.18	1403.42	1401.16	1405.41

Base value 1000 (26/10/90) High/day: 100 - 1355.35; 200 - 1417.63 Low/day: 100 - 1350.85; 200 - 1413.85

ASIA PACIFIC

Nikkei recovers ground as region takes profits

Tokyo

THE Nikkei average recovered some ground after Monday's 2.3 per cent fall on buying by pension funds and institutions, *agencies report from Tokyo.*

The 225-issue index finished 171.51 firmer at 18,246.12, after a day's low of 17,877.69 and high of 18,467.25.

Volume was estimated at 260m shares. Rises outscored falls by 535 to 452, with 174 issues unchanged. The Topix index of all first section stocks improved 3.69 to 1,549.34, and in London the ISE/Nikkei 50 index put on 0.73 at 1,250.65.

Arbitrage-linked selling depressed the market in early trading but short-covering in futures caused a technical rebound later. Comments from government officials that the country may consider taking additional measures to boost the economy helped sentiment.

In spite of the day's gains, many investors remain cautious ahead of the visit of Prime Minister Morihiro Hosokawa to the US at the end of the week.

Banks and other financial stocks gained strength on bargain hunting: Nomura Securities added Y10 at Y1,920, Dai-Ichi Kangyo Bank Y30 at Y2,230 and Sumitomo Bank Y50 at Y2,360.

Daikyo, the building group, lost Y124 to Y946 after revising down its forecast for earnings in the year to March 1994.

Roundup

THE region's markets were generally easier yesterday.

HONG KONG ended moderately lower as bargain hunting helped to trim early losses. The Hang Seng index shed 49.69 to 9,683.65, having been 128 points off at one stage.

Hong Kong Telecom lost 40 cents at HK$16.10 as Goldman Sachs downgraded its rating.

HSBC fell HK$1.50 to HK$88.50 but Hutchison Whampoa rose 50 cents to HK$31.75. Lai Sun Garment, benefiting from institutional switching, jumped HK$2.40 to HK$22.90.

SEOUL gave way to profit-taking in reaction to Monday's fourth consecutive year's high and the composite stock index receded 8.07 to 802.65.

Among recent strong gainers, Samsung Electronics retreated Won500 to Won47,500 and Hyundai Motor Won400 to Won32,300.

SINGAPORE was lower as brokerages imposed restrictions on intraday buying and selling by retail investors in line with the securities authorities' guidelines to check excessive speculation.

The Straits Times Industrial index ended 17.54 off at 2,075.01, after an intraday low of 2,071.87. Shipyards bucked the trend, Keppel rising 55 cents to S$10.40 and Jurong Shipyard 60 cents to S$13.50.

KUALA LUMPUR finished generally easier as volume shrank on lack of demand, and buying restrictions imposed by broking firms. The composite index fell 10.07, or 1.1 per cent, to 951.30.

Some institutional interest, however, helped to push Malayan Banking 70 cents higher to M$19.10.

AUSTRALIA ended slightly firmer, with the All Ordinaries index 0.9 up at 2,083.8 in turnover of A$309.2m.

Activity was seen in the banks, where ANZ results disappointed many investors and the shares lost a cent to A$4.44.

NEW ZEALAND saw a fall in Carter Holt Harvey unnerve the market and the NZSE-40 index declined 20.00 to 1,978.71. Turnover was struck at NZ$88m. Carter Holt finished 19 cents down at NZ$3.27.

MANILA strengthened, with brokers reporting activity among second line issues. The composite index moved ahead 22.12 to 2,407.01. Turnover amounted to 1.3bn pesos.

KARACHI ended at another record high, helped by gains in the financial and chemical sectors. The KSE index added 62.96 at 1,780.03.

BOMBAY rose on heavy buying by foreign institutional investors after an initial bout of profit-taking. The BSE 30-share index closed 61.91 higher at 2,848.19.

BANGKOK eased a shade, although some investors entered the market on late bargain hunting. The SET index slipped 0.54 to 1,366.77 in turnover of Bt15.5bn.

SHANGHAI and SHENZHEN saw brisk volume on buying by overseas institutional funds, and their B share indices rose 5.1, or 7.3 per cent, to 75.23 and 1.36, or 1.8 per cent, to 78.15 respectively.

Over the past two weeks, Shanghai Bs have climbed 26 per cent and Shenzhen's 16 per cent.

TAIWAN fell back on profit-taking, the weighted index relinquishing 27.80 to 4,301.25. Turnover dipped to T$34.9bn from Monday's T$47.5bn.

Among the actives, China Steel lost 50 cents to T$19.40.

COLOMBO continued to fall, the market index shedding 12.7 to 894.0, but turnover picked up strongly to SLRs145.4m from Monday's SLRs98.6m.

SOUTH AFRICA

INDUSTRIAL shares extended an early afternoon rally, while gold shares firmed, lifting the latter's index 7 to 1,849. The industrial index rose 56 to 4,692 and the overall index was 23 higher at 4,126. De Beers declined R2 to R84.

Frankfurt speculates as AMB shares soar

David Waller questions whether the insurer's popularity is based on facts, or rumour

One of the curiosities of the sharply rising German stock market in recent months has been the performance of shares in Aachener und Münchener Beteiligungs (AMB), Germany's second biggest insurance group after Allianz.

Over the course of the current year AMB's shares have nearly doubled, rising from about DM750 at the beginning of the year to DM1,430 yesterday, thus significantly outperforming the blue chip DAX index and the more broadly based FAZ, which have both climbed by around a third since January.

Although Allianz has also outperformed the market, reflecting investors' liking for insurance companies at a time of declining interest rates, AMB's spectacular rise has more to do with the fact that the Aachen-based insurer has become a "special situation".

In short, AMB is at the centre of an unresolved takeover battle which has persisted, through a multitude of baroque twists and turns and varying degrees of intensity, since 1991, when Assurances Générales de France (AGF), the French state-owned insurance group, bought a stake in the German company.

After much mutual hostility, the tensions between the two groups appeared to dissolve at the end of last year. Shareholders in AMB endorsed a "ceasefire" which gave AGF the right to votes on its entire 25 per cent stake plus representation on the AMB board.

In return, AGF delivered Crédit Lyonnais as a buyer for a majority stake in BfG Bank, AMB's banking subsidiary which had cost it billions since it bought it years ago as an ill-judged foray into "allfinanz".

The deal was struck hours before the European single market programme came into force, engendering images of peaceful Franco-Teutonic co-operation in the German insurance market, the largest in Europe. But just as romantic visions of European union have turned sour during the course of 1993, the harmony between the French and the German camps proved illusory.

Relations between AGF and AMB have not degenerated into the outright hostility of yesteryear. But following two transactions earlier this year, a question mark hangs over the fate of Germany's second largest insurer.

The first took place in early May when Fondiaria, a troubled Italian insurer, sold its 21 per cent shareholding in AMB to a group of German institutions (including Deutsche Bank, which took 10 per cent, and Allianz, which took 5 per cent).

Although the purchase was presented disingenuously as a friendly move on the part of the German financial establishment, designed as an amicable counterbalance to AGF's position in the AMB boardroom, one does not have to be too Machiavellian to see the purchase as an attempt to block the French. "This was a deliberate attempt to keep a second French competitor out of the German market," commented the chief executive of another German insurer. The single French-controlled company in the German insurance market is Colonia.

Source: Datastream

The second transaction followed in July when AGF announced that it had lifted its stake in AMB to 33.5 per cent via purchases in the market. AGF's public comments at the time were far from bellicose – but the move was seen by investors as a move to tighten control over its German target.

In the absence of any rules governing takeovers and disclosure requirements in Germany, it is impossible to know with certainty what has happened since July, when AGF thought to have paid DM1,1.. a share for its extra holding. Has AGF increased the stake further? Or have other investors been spreading rumours in order to boost the price of their own holdings?

Analysts note that in a highly illiquid market for AMB shares, small share purchases trigger sharp price rises, making it easy for the unscrupulous to manipulate prices. None of the main parties were willing to comment yesterday.

One thing is certain: the shares are overvalued on fundamental grounds, trading at around 100 times 1993 earnings with no spectacular earnings growth in sight, and at a substantial premium to net asset value based on outside estimates, DM1,100 a share.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co. and NatWest Securities Limited in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS (Figures in parentheses show number of lines of stock)	MONDAY NOVEMBER 15 1993: US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	FRIDAY NOVEMBER 12 1993: US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX: 1993 High	1993 Low	Year ago (approx)
Australia (69)	154.25	-0.2	153.53	103.84	135.53	156.79	+0.5	3.31	154.48	154.44	103.68	135.66	158.02	162.83	117.39	108.18
Austria (17)	174.84	+1.7	173.94	117.44	153.27	152.50	+0.3	1.03	171.80	171.56	115.15	150.61	151.52	184.47	131.16	139.51
Belgium (42)	151.74	+0.4	151.04	102.15	133.32	135.09	+0.8	4.26	151.07	151.03	101.36	132.85	134.66	156.78	131.19	135.53
Canada (107)	134.01	-1.1	133.38	90.21	117.73	128.33	-0.4	2.81	135.54	135.50	90.94	118.18	128.86	135.54	111.41	112.52
Denmark (32)	237.99	-0.4	236.88	160.22	209.11	218.33	-0.3	1.04	239.01	238.94	160.37	210.18	219.02	241.06	185.11	199.65
Finland (23)	119.51	-1.3	118.95	80.46	105.00	146.53	-1.1	0.71	121.07	121.03	81.24	106.47	148.17	128.99	65.50	67.25
France (98)	163.82	+1.0	163.06	110.28	143.92	150.97	+0.8	3.08	162.25	162.20	108.86	142.67	149.84	173.05	142.72	145.87
Germany (60)	132.11	+1.6	131.49	88.95	116.07	116.07	+1.5	1.83	130.06	130.02	87.28	114.37	114.37	136.13	101.59	106.40
Hong Kong (55)	394.34	+0.6	392.51	265.47	346.49	391.12	+0.6	2.60	392.07	391.96	263.07	344.90	388.87	394.34	218.82	256.52
Ireland (14)	177.34	+0.5	176.52	119.39	155.81	177.47	+0.5	3.19	176.45	176.40	118.39	155.17	176.64	177.89	129.28	124.53
Italy (70)	62.27	-1.5	61.68	41.92	54.71	77.38	-1.1	2.15	63.20	63.18	42.40	55.57	78.20	78.93	53.79	61.98
Japan (469)	146.00	-2.0	145.32	98.28	128.29	98.28	-1.6	0.83	148.93	148.88	99.93	130.98	98.93	165.91	100.75	98.95
Malaysia (69)	475.79	-1.7	473.58	320.29	418.03	466.72	-1.8	1.47	483.85	483.72	324.64	425.49	475.37	487.72	251.86	278.13
Mexico (19)	1874.84	+3.1	1866.14	1262.15	1647.28	6590.26	+2.8	0.75	1818.30	1817.80	1220.06	1599.02	6421.34	1674.84	1410.30	1495.40
Netherland (26)	181.99	+0.8	191.10	129.25	168.69	166.27	+0.9	3.18	190.24	190.18	127.65	167.30	164.84	197.07	160.39	151.18
New Zealand (13)	59.93	+0.2	59.65	40.35	52.66	59.07	+0.1	3.84	59.83	59.81	40.15	52.62	59.02	68.38	40.56	38.76
Norway (23)	176.18	+0.1	175.35	118.60	154.78	175.51	-0.3	1.45	176.02	175.97	118.11	154.80	175.96	185.10	137.71	130.39
Singapore (39)	313.01	-0.9	311.56	210.72	275.01	229.85	-0.9	1.39	315.73	315.64	211.85	277.65	231.85	332.55	207.04	195.49
South Africa (60)	217.69	-2.1	216.68	146.55	191.27	208.17	-0.3	2.58	222.41	222.35	149.23	195.59	208.79	222.41	144.72	143.03
Spain (42)	137.11	-0.2	136.47	92.30	120.47	142.58	+0.2	4.15	137.44	137.40	92.22	120.86	142.28	145.24	115.23	110.01
Sweden (36)	198.28	+0.2	197.34	133.47	174.20	240.53	+0.1	1.45	197.77	197.71	132.70	173.92	240.22	208.92	149.70	156.96
Switzerland (50)	147.06	+0.5	146.38	99.01	129.23	135.94	+0.1	1.60	146.37	146.33	98.22	128.74	135.84	148.18	108.91	105.61
United Kingdom (218)	166.68	+0.3	165.91	125.66	164.01	165.81	-0.1	3.86	166.13	166.08	124.88	163.67	166.08	193.97	162.00	181.86
USA (516)	188.91	-0.4	188.04	127.18	165.99	188.91	-0.4	2.73	189.67	189.62	127.28	166.81	189.67	191.56	175.38	172.07
Europe (751)	157.69	+0.5	156.96	106.16	138.55	151.68	+0.3	2.99	156.87	156.83	105.26	137.96	151.24	162.97	133.92	132.39
Nordic (114)	167.80	-0.1	165.93	126.43	165.01	197.84	-0.2	1.26	168.02	167.97	126.18	165.35	198.16	194.54	142.13	145.89
Pacific Basin (714)	154.98	-1.7	154.28	104.34	136.17	108.68	-1.4	1.10	157.66	157.61	105.79	138.65	110.22	168.80	105.89	104.32
Euro-Pacific (1465)	155.99	-0.8	155.27	105.01	137.05	125.72	-0.7	1.89	157.22	157.18	105.49	138.26	126.61	162.86	117.26	115.66
North America (625)	185.49	-0.4	184.62	124.88	163.00	184.75	-0.4	2.73	186.29	186.24	125.02	163.86	185.50	167.69	171.61	169.39
Europe Ex. UK (533)	139.00	+0.7	138.35	93.59	122.15	131.36	+0.6	2.44	138.08	138.04	92.67	121.45	130.62	143.73	112.51	114.25
Pacific Ex. Japan (245)	241.65	-0.2	240.53	162.71	212.35	225.03	+0.0	2.62	242.02	241.95	162.42	212.86	225.04	245.12	152.70	157.07
World Ex. US (1651)	157.04	-0.8	156.31	105.73	137.98	128.29	-0.7	1.91	158.26	158.21	106.20	139.18	129.13	162.89	118.51	116.71
World Ex. UK (1951)	164.73	-0.7	163.97	110.91	144.76	143.27	-0.6	2.05	165.94	165.90	111.35	145.95	144.13	168.66	134.22	131.86
World Ex. So. Af. (2109)	166.42	-0.8	165.65	112.05	146.24	146.56	-0.6	2.22	167.46	167.41	112.37	147.27	147.38	170.48	137.29	134.52
World Ex. Japan (1700)	179.40	-0.1	178.57	120.78	157.65	175.65	-0.1	2.78	178.53	178.48	120.48	157.91	175.83	181.67	157.47	154.45
The World Index (2169)	166.67	-0.8	165.90	112.21	146.45	147.09	-0.6	2.22	167.73	167.69	112.56	147.51	147.92	170.68	137.32	134.47

Latest prices were unavailable for this edition.

FINANCIAL TIMES SURVEY

WORLD NUCLEAR INDUSTRY

Wednesday November 17 1993

The future of nuclear electricity is shrouded in deepening uncertainty, writes **Michael Smith.** It is still favoured by developing nations in Asia and the Pacific. But in most western countries, it is bogged down by fears over safety and worries about costs

Need for a crystal ball

IT IS possible, some argue likely, that the nuclear power industry will grow significantly from the hase it has established as provider of about 17 per cent of the world's electricity. But even the optimists acknowledge that it is a long term prospect which may take more than half a century to fulfil.

In the next 10 to 20 years the industry will have to content itself with small annual growths in total capacity and a stable perhaps declining proportion of a faster growing world electricity market.

Before the year 2000, at least, most of the growth will be accounted for by a handful of Asian and east European countries and France.

In most of the rest of the world, nuclear power companies and the companies which build their power stations will struggla to consolidate the gains of the last 40 years in the face of widespread public cynicism about the industry's costs and safety.

The legacy of the Three Mile Island accident in the US in 1979 and the much worse Chernobyl disaster of 1986 is that the nuclear industry will have to spend increasing sums of money to make both its existing plants and new stations far safer than would be expected of a unit fired by other fuels.

The next 10 or 20 years will see only small growths in capacity

Nor, in the face of growing pressure on government finances throughout the world, will it be easy for power utilities to gain access to the funds necessary to build nuclear stations, as Nuclear Electric of the UK is likely to find in the next two to three years, as it looks for capital to build a second pressurised water reactor station in Suffolk.

Capital markets are extremely wary of committing money to nuclear stations which are far more expensive, and take perhaps twice the time, to build than gas, oil or coal-fired stations.

The markets are concerned about rates of return needed to recover the capital costs and remain sceptical that utilities make enough provision for future decommissioning and reprocessing costs when making estimates about the costs of nuclear power.

The undoubted economic advantage of nuclear stations is that uranium, the raw material needed to fuel them, is cheaper than inputs for virtually all other forms of power and this advantage will grow as resources of coal, oil and gas become scarcer and more expensive.

It was partly for this reason that the World Energy Council, a non-government organisation representing more than 100 countries, predicted in a recent report, *Energy For Tomorrow's World*, that nuclear power is one of two energy sources most likely to meet electricity demand in the second half of the next century, the other being coal.

However the council's prediction is based on the assumption that world gas and oil will begin to dry up within 50 years.

That is by no means certain. The energy industry's critics believe that oil and gas companies consistently under-estimate reserves as part of an effort to keep prices high.

Gordon MacKerron, of Sussex University's Science Policy and Research Unit, is among those who believes reserves may last longer. "We are discovering gas four times faster than annual consumption and have done for at least a decade," he points out.

If the long term prospects for nuclear power are debatable, controversy also surrounds the short term outlook. Latest figures from the International Atomic Energy Authority are that there are 72 nuclear units under construction against an existing world total of about 424 units.

But some forecasters and academics argue that this is over-optimistic because some of the plants will not be completed. In addition some of the new plant will replace stations which are being retired.

Prospects around the world vary considerably.

■ **ASIA:** Japan has the world'a largest expansion programme, having set e target of increasing the proportion of nuclear power in electricity generation from under 30 per cent to 40 per cent, but there are doubts about whether it can achieve it.

Japan's enthusiasm for nuclear power stems from its lack of natural fuel resources and its experiences from oil price rises. If the plans were met, the current capacity of 35,000 megawatts, supplied by 42 stations, would increase to 75,000MW.

Utilities ara acutely conscious, however, of the growing power of the environmental lobby and believe the lack of potential sites for building new plants and the stabilisation of Middle East politics will dampen the government's enthusiasm.

Korea, like Japan, is also anxious to diversify from other forms of fuel and is constructing three stations to add to the nine providing 7000MW which are already in operation. Among non-nuclear power countries, the most likely new entrant is Indonesia, but it is unlikely to make a decision before 2002.

China and India provide perhaps the best hope for the industry in the medium to long term, with the construction of nine plants between them already under way, and more likely to follow.

■ **AMERICA.** Since the Three Mile Island accident there have been no new orders in the US and several projects have been cancelled.

However, US companies are et the forefront of technological advances by developing e new generation of safer reactors and the government is in talks with the industry to ease complications surrounding site licensing.

There are hopes of new orders within the next few years. Previous enthusiasm in south America for nuclear power has been dampened by debt problems and is unlikely to revive in the medium term.

■ ***WEST EUROPE.*** With the exception of France, and just possibly the UK, prospects are uniformly bleak. France has eight reactors under construction or planned and the UK's Nuclear Electric has requested planning permission for Sizewell C in Suffolk.

US companies pin their hopes on new designs and easier licensing

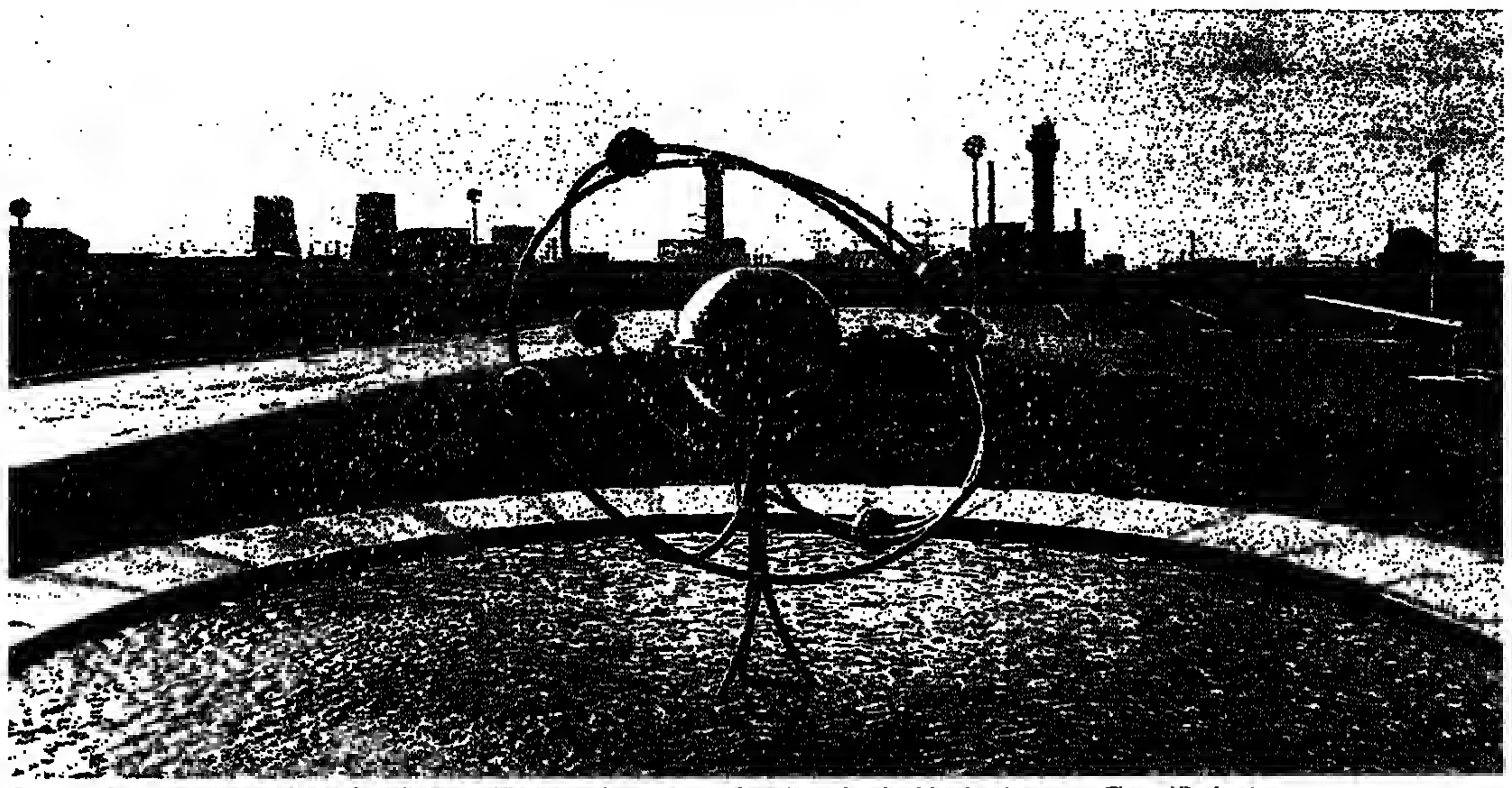
However, even if Nnclear Electric can gain permission, it faces e far more difficult task in getting finance for a project expected to cost up to £3.5bn. It also has to steer a successful course through the government's nuclear review, planned to start later this year, and likely to consider whether further nuclear power stations are necessary.

Most of the rest of western Europe has imposed moratoria on nuclear power. Optimists place their hopes of revival in Finland – even though its parliament recently turned down plans for a fifth reactor – and in Italy which closed its nuclear stations after Chernobyl but may consider new stations if safety improves.

There are also grounds for hope that Sweden may not end up being as anti-nuclear as it has planned. Sweden has a policy of phasing out nuclear energy but nearly half of its electricity come from nuclear power and efforts to replace this are progressing slowly.

German prospects look poor amid difficulties of reaching a consensus on nuclear power.

□ CONTINUED ON PAGE IV



The outlook is cloudy: a view of Sellafield, Cumbria, centre of Britain's nuclear waste recycling industry, from its visitors' centre (Picture: Mike Arron)

IN THIS SURVEY

Developing Asia is the world's only growth area, reports **Frank Gray**

China, Korea lead the pack

CHINA, South Korea and Indonesia are starting to emerge as the countries in Asia which will depend most on electricity from nuclear power stations.

Taiwan, which also has strong leanings to nuclear power, may become bogged down in political and environmental wrangles.

■ **SOUTH KOREA** still qualifies technically as a developing country under World Bank and Asian Development Bank criteria, but this is fast changing as its economy starts to mirror that of Japan and as its electricity supply programme approaches Europe's typical capacity level of one kilowatt per head of population.

The state-controlled Korea Electric Power Company, with its near monopoly, plans to add 27,805MW in new capacity between now and 2001, says Kepco. The national plan calls for another 10,000MW between 2001 and 2006. This means 37,000MW of new power over the next 13 years on top of the present 24,120MW.

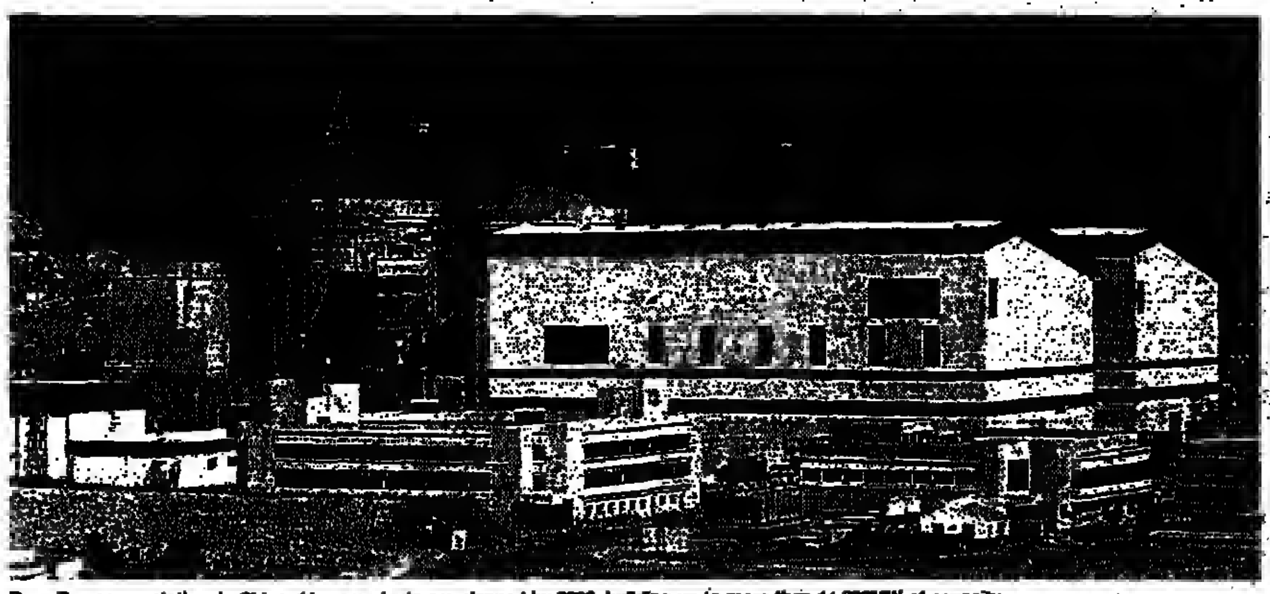
The nuclear programme has advanced rapidly, largely because of Korea's dependence on imported fossil fuel to power its grid and its industries. Like Japan and Taiwan, it took the Middle East oil price crisis to boost the nuclear programme, led initially by US Westinghouse and General Electric technology and, more recently, Framatome of France, GEC of the UK and Atomic Energy of Canada.

Middle East oil crises boosted Korea's nuclear expansion programme

At the end of 1992, Korea's nuclear capacity stood at 36 per cent of the national mix; 17.5 per cent was coal; 22.7 per cent oil; 12.1 per cent liquefied natural gas; and 5,969MW (10.2 per cent) consisted of hydro and pumped storage.

The anticipated power plant construction bill between now and 2006 is estimated at $36bn. Oil, the dominant fuel in 1970 – at 76 per cent – will have been almost eliminated.

■ **CHINA** last year commissioned its first nuclear power station, a 300MW pressurised water reactor at Qinshan, southwest of Shanghai. This autumn, the first of two 950MW pwr units, built at Daya Bay north of Hong Kong by the Anglo-French consortium of Framatome and GEC Alsthom, began generating electricity. 70 per cent of which will be distributed by Hong Kong's private sector utility China Light & Power. The second unit starts up next year.



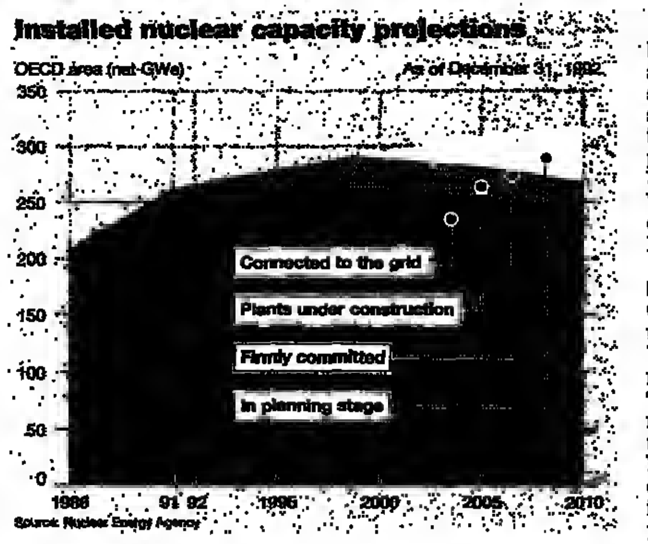
Daya Bay power station, in China: 11 more plants are planned by 2003, building up to more than 11,000MW of capacity

The project is significant as the largest joint-venture of any type carried out with China, being 75 per cent owned by the Chinese government and 25 per cent by the CLP. The plant is operated by the Guangdong Nuclear Power Joint Venture Company.

China's nuclear authorities, grouped mainly under the China Nuclear Electric Energy Industry Company, say they plan a further 11 power stations by 2003. Two are earmarked for the Daye Bay region, though no firm negotiations have yet taken place.

Four 1,000MW reactors are planned for Dongping. Given their proposed size, they will be western-supplied. Two 1,000MW reactors, possibly Russian-supplied, are being considered for Liaoning. The Qinshan complex will see two new domestically supplied reactors, each of 600MW, reflecting China's determination to develop its own nuclear technology.

These proposals point to a Chinese nuclear power capability of 11,312MW by the second half of the first decade of the next century. This will be a small but significant proportion of its overall capacity, now 180,000MW, of which 70 per cent is coal-fired and the rest mostly hydroelectric. China's overall plans are to add 15,000MW of capacity a year through the end of the century.



■ **INDONESIA** has only 30MW of experimental nuclear capacity at Serpong, Java. But the government wants to build a commercial capability of 7,000MW, starting with several 600MW reactors to be built on the Muria Peninsula. The country has scarcely 10,000MW of conventional capacity, and with oil reserves running down it is diversifying quickly into coal, natural gas and nuclear.

An evaluation by the New Japan Engineering Consultants group should be completed by the end of this year, with the first nuclear projects going to tender by 1995. The tendering will take several years and, say Energy Ministry officials, first power could be produced by 2005 if the programme were maintained.

Indonesia's PLN state utility, the National Atomic Energy Agency (BATAN) and the energy ministry are examing designs from General Electric, Mitsubishi Heavy Industries/Westinghouse/Atomic Energy of Canada and Nuclear Power International/Framatome. No decision has been made on the choice of reactor type.

Elsewhere in developing Asia the picture is less certain.

Indonesia plans 7,000MW with the first projects tendering by 1995

■ **TAIWAN** hopes to double capacity to 30,000MW by 2000. Nuclear capacity at present is about 30 per cent of total capacity and is located at three sites around the island. Plans to add at least 2,000MW at a proposed fourth site are going too slowly, say impatient officials.

Bids are due in early December, but it is feared that the anti-nuclear lobby may hold sway with the project being shelved again, as happened in the late 1980s. This will disappoint Nuclear Electric of the UK which is partnered with Westinghouse of the US to offer a duplicate of its Sizewell B pwr.

■ **THAILAND'S** Electricity Generating Authority this month was pressed by the World Bank to abandon its nuclear plans as too costly. Thailand was urged to increase its efforts on natural gas, and to consider nuclear only as a last option. Like many other countries, the Authority is facing demand pressures, and plans to boost capacity to 20,000MW from its present 11,000MW. Its present nuclear plans are at an early stage.

■ **INDIA'S and PAKISTAN'S** plans remain more problematical given that neither country has signed the Non-Proliferation Treaty of the International Atomic Energy Agency. Chinese engineers plan to build a 300MW reactor in Pakistan, which would be that country's second, after an old 130MW Canadian General Electric reactor in Karachi, for which parts are no longer available through conventional sources.

India, with 1,700MW of nuclear, most of it home grown, still plans to boost this to 10,000MW, but development is at a low ebb, given western refusal to supply technology and equipment.

□ *Frank Gray is editor of* Power in Asia, *a FT energy newsletter*

■ **Interview:** RAYMOND SERO of Westingh

In the thick of a bat for a Taiwan order

ALONG with many executives in the nuclear power plant industry, Mr Raymond Sero is feverishly putting the finishing touches to complex proposals to supply equipment for Taiwan's fourth pair of nuclear power stations.

The hotly-contested Lungmen project has been shelved and revived several times in recent years, and in April suffered a further delay when Taipower changed the terms at the 11th hour. Now a new deadline for bids, December 8, is looming.

Mr Sero, Westinghouse Electric's general manager for international nuclear business, explains why the Taiwan project is generating such activity at the US company and its rival nuclear plant suppliers in the US, Europe and Japan: "It's the only big new nuclear plant project that's imminent."

However, in spite of the paucity of new nuclear plant work worldwide, and the long delays and obstacles to be surmounted in winning orders, Mr Sero says he is "cautiously optimistic" about prospects for Westinghouse's nuclear business, the world's largest with overall annual sales of $1bn.

This confidence is underpinned by Westinghouse's long history in the nuclear industry. The company pioneered the commercial nuclear power industry more than 30 years ago. It has supplied 51 of the 110 nuclear plants operating in the US, and more than 170 of the world's 410 light water reactors (LWRs, which include pressurised water reactors and boiling water reactors) have either been supplied by Westinghouse or based on its technology.

Helped by having such a big installed base, Westinghouse is also the world's largest supplier of nuclear fuel and services. In fuel, it continues to make design changes to keep ahead of the competition, says Mr Sero, while in the instrumentation and control (I&C) business it claims the only fully digital system for nuclear plants.

Recent contracts illustrate how Westinghouse is using its strengths at a time when new nuclear plants are off the near-term political agenda in two formerly crucial markets, the US and virtually all western Europe.

In the UK, Westinghouse is on schedule to complete the I&C contract ready for next year's start-up of the Sizewell B plant in Suffolk – having taken over from a French supplier whose contract was cancelled in 1991. In Korea, it is supplying nuclear fuel rods after a decision to give the business to a rival supplier was reversed.

In the Czech Republic, Westinghouse is hard at work on important contracts to supply the I&C system and nuclear fuel for the partially-completed Temelin nuclear station. The contracts, finally clinched in May, were the largest yet awarded for safety and performance-related upgrades of Soviet-designed reactors.

Raymond Sero: cautious optimism bred of a long nuclear involvement

Mr Sero says he is confident that, with more Temelin-type contracts being awarded and new plant activity in Asia, Westinghouse will be able to announce some significant new contracts in the next two to three years.

In Asia, there are potential opportunities over the next two to three years in Korea, Japan, Indonesia – and also China where Westinghouse is participating with partners from Spain and Italy on preparing proposals for new plants. And there are further opportunities in Taiwan.

But Mr Sero stresses that Westinghouse has not abandoned hope of winning new plant orders in the US and Europe, even if there is no immediate business. A key development here could be Westinghouse's participation in a US-government supported project to spend $158m over the next five years on detailed design of the AP600, a standardised, simplified 600MW PWR.

The involvement of the Department of Energy and of 16 leading US utilities in the project is a clear vot dence for nuclear p for Westinghouse. Bu also reveals that the has had several dis with European utiliti the AP600 programme.

In the I&C business, sees opportunities de from decisions such made recently by which is lifting a mor on its three most nea plete nuclear plants.

In services, he b Westinghouse has to its market share in business but look to g presence elsewhere.

Because it is predom a PWR supplier, PWR s tend to form the core service work. But comp is tough in this secto service business, so We house wants to expa other technologies wh can.

Mr Sero says opportu include the UK, where Nu Electric wants to subco "outage" work on its Ma and advanced gas cooled tors, and servicing for bo water reactors where it done well in the US throu subsidiary and could exp into Taiwan and Europe.

Hardly surprisingly, Mr S is concerned by the anti clear lobby. The fact t entire countries can take anti-nuclear stance, t influencing neighbour countries, "bothers us," says.

But, along with many in industry, he believes supplier have to continue to educate countries and address people's fears and concerns.

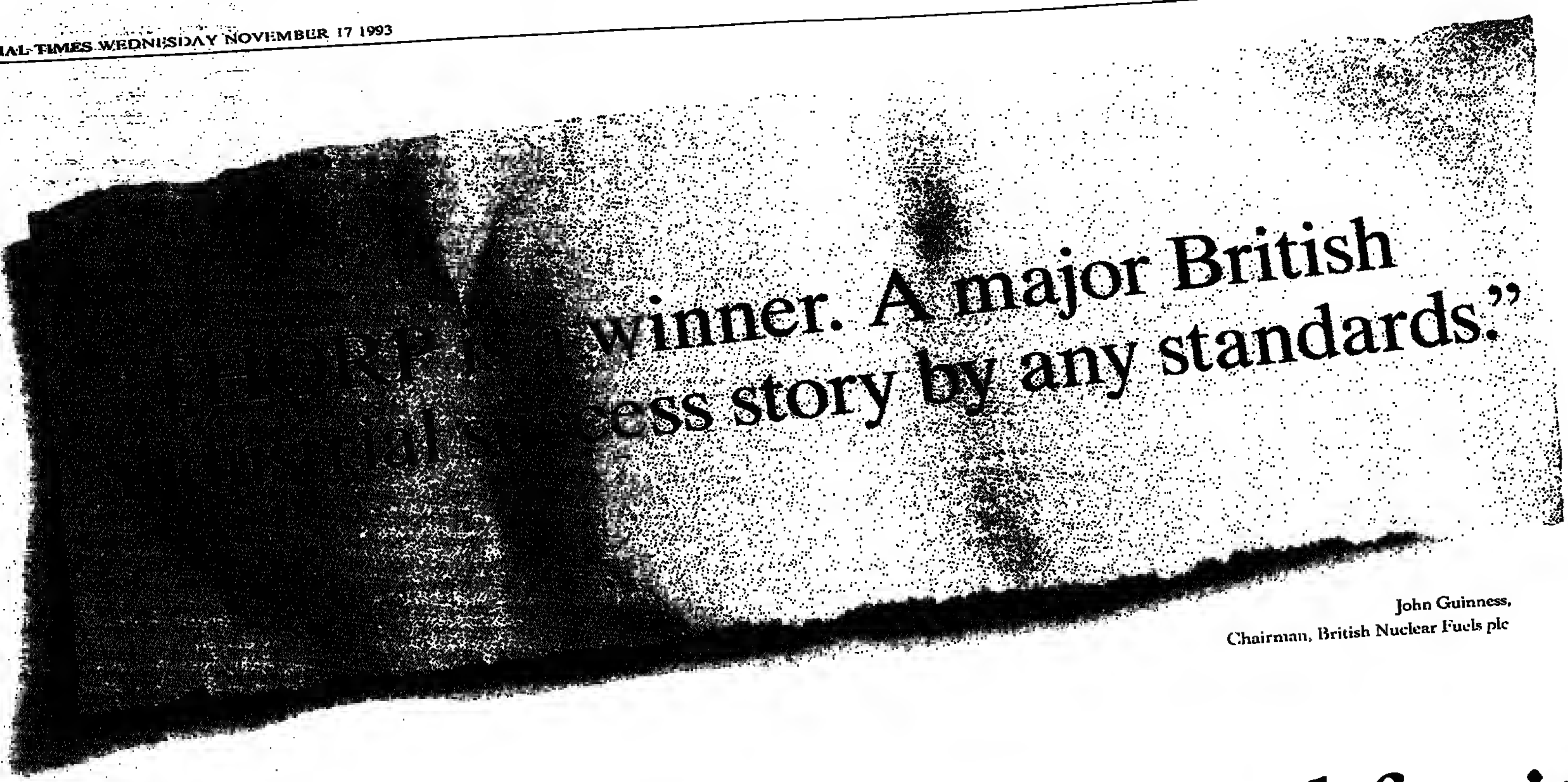
Two key factors stand in nuclear power's favour, he says: first, concerns over the effects on the environment of burning fossil fuels for power generation will enhance nuclear's standing because it is emission-free.

Secondly, he believes that, in the US the Government is recognising the need to address the issue of nuclear waste, and how it should be stored, controlled and handled. This, he says, would give confidence to people in the US, for whom nuclear waste remains a concern even if polls suggest a majority believe nuclear power should have a role in power generation.

Andrew Baxter

هكذا من الأصل

a battle order



“THORP is a winner. A major British industrial success story by any standards.”

John Guinness,
Chairman, British Nuclear Fuels plc

But don’t just take our word for it.

ON MONDAY 28 JUNE 1993, IN AN AMENDMENT TO A LIBERAL DEMOCRAT MOTION, THE PRIME MINISTER JOHN MAJOR AND FIVE SENIOR CABINET MINISTERS TABLED THE FOLLOWING:

“That this House congratulates the management and workforce of British Nuclear Fuels plc on the completion of its high technology Thermal Oxide Reprocessing Plant (THORP) for the reprocessing of spent nuclear fuel at Sellafield; welcomes the 3,000 jobs, mainly in the North-West, which the plant supports; recognises that around 90 per cent of its £1,850 million capital cost was spent with British industry; notes that the plant is needed to fulfil the customers' requirements for reprocessing, represented by contracts already won worth £9 billion; recalls that it is a major example of international inward investment which the chairmen of the 10 Japanese nuclear power generators strongly endorsed last week; expresses confidence in the non-proliferation arrangements that underlie the plant's work for all the overseas customers; and, subject to receipt by BNFL of such consents as are required by law, supports the commissioning of the plant at the earliest practicable date.”

“A delay to the start of THORP will lead to 20 per cent unemployment in this area by next December. That would have a devastating effect. The effects of unemployment on the health of our people, their morale, the crime rate, dietary habits, infant mortality, and so on, would likewise be devastating...”

ANN BENNETT
LEADER OF COPELAND BOROUGH COUNCIL

“If it failed to open that would be an unmitigated disaster for my constituency. The impact would be five times that of the imminent job losses at Rosyth, and the local economy would be devastated.”

DALE CAMPBELL-SAVOURS
MP FOR WORKINGTON

“We urge you to use your best efforts to remove the obstacles preventing THORP from operating. According to our knowledge, THORP is a safe plant built to modern high technology standards. We could not understand if it was plagued by further delays.”

A GLAUSEN
VICE-DIRECTOR OF THE SWISS UTILITY NOK, IN A LETTER TO THE SECRETARY OF STATE FOR THE ENVIRONMENT, JOHN GUMMER

“Let's be quite clear about this. THORP has been the target for the last nine months of a highly focused, well planned and executed campaign by Friends of the Earth and Greenpeace, both nationally and overseas.
“They are trying hard to disrupt the plans of British and foreign nuclear utilities for the proper, safe and environmentally correct method of handling the spent fuel from nuclear reactors.
“The customers for THORP all want it brought into operation; BNFL are equally anxious to discharge their customers' wishes. Surely that is 'need' enough in any market place.”

JOHN COLLIER
CHAIRMAN, NUCLEAR ELECTRIC PLC

“If an early decision is not reached on THORP the crisis we are experiencing in West Cumbria will become a calamity because several thousand BNFL jobs are now threatened.”

DR JACK CUNNINGHAM
SHADOW FOREIGN SECRETARY AND MP FOR COPELAND

“The GMB believes that the environmental concerns raised in relation to the project have been fully and properly considered. The economic and employment benefits of the project to the country and to the local economy are indisputable.”

JOHN EDMUNDS
GENERAL SECRETARY, GMB

“The plant has been completed and all those who have seen it have been greatly impressed – not only by the plant but by the commitment of the workforce and its preoccupation with safety.”

TIM EGGAR
ENERGY MINISTER

“In conclusion, the Commission is of the opinion that the implementation of the plan for the disposal of radioactive waste from THORP at the Sellafield establishment is not liable, either in normal operation or in the case of an accident of the type and magnitude considered in the General Data, to result in radioactive contamination, significant from the point of view of health, of the water, soil or airspace of another Member State.”

THE EUROPEAN COMMISSION
IN ACCORDANCE WITH ARTICLE 37 OF THE EURATOM TREATY

“Having carefully considered all the comments made by the respondents to this consultation, the inspectorates have concluded that no points of substance have been raised that should cause them to reconsider the terms of the draft authorisations, save for some minor amendments/corrections.
“In their judgement, the provisions of the draft authorisations would effectively protect human health, the safety of the food chain, and the environment generally.”

JOHN GUMMER
SECRETARY OF STATE FOR THE ENVIRONMENT IN A WRITTEN ANSWER REGARDING HMIP'S CONCLUSIONS

“From the technical point of view I believe THORP has been planned with a high degree of responsibility, and could fulfil a useful role not only in this part of the world but for the nuclear industry worldwide. I hope it is allowed to function.”

JOHN HABGOOD
ARCHBISHOP OF YORK

“If THORP has been given a clean bill of health, the Government should honour both its contractual commitments made via BNFL and its moral obligations to the people of West Cumbria.”

LORD INGLEWOOD
MEP FOR CUMBRIA

“We have contractual arrangements with BNFL to reprocess about 1,000 tonnes at THORP and much of that 1,000 tonnes is already in the THORP ponds. Scottish Nuclear has been and continues to be strongly supportive for the immediate start-up.
“It is our view that delaying THORP is economic madness. It will damage UK plc.”

DR ROBIN JEFFREY
CHIEF EXECUTIVE, SCOTTISH NUCLEAR LIMITED

“THORP is a substantial engineering and export success for this country. It supports some 3,000 jobs and has £9 billion-worth of contracts which is a powerful vote of confidence in the plant from people around the world who will be its customers.”

THE PRIME MINISTER, JOHN MAJOR

“The West Cumbria Development Agency supports wholeheartedly the commissioning of THORP. On employment grounds alone, the economic necessity of THORP is, in our opinion, proven.”

BARBARA M STEPHENS
DIRECTOR OF OPERATIONS, WEST CUMBRIA DEVELOPMENT AGENCY

“We actually want our plutonium and uranium back. We need the plutonium to fuel the new generation of fast nuclear reactors. And plutonium can also be used to manufacture a nuclear fuel called MOX (mixed oxide fuel) for use in conventional reactors.
“It is Japan's stated policy to generate the power we need for the future by using reprocessed nuclear fuel.”

THE TEN JAPANESE UTILITIES
IN AN ADVERTISEMENT PLACED IN THE UK NATIONAL PRESS

“If THORP doesn't go ahead as planned, it will be a blow to Britain's standing in world markets.
“If it were decided not to go ahead on grounds of pollution, that might be understood, but there would undoubtedly be a public outcry and an outcry from the business community, if, after all these years and all that money, a decision not to go ahead was taken on other grounds.”

SIR IAN WRIGGLESWORTH
CHAIRMAN, THE NORTHERN REGION OF THE CBI

BNFL

BRITISH NUCLEAR FUELS

British Nuclear Fuels plc, Risley, Warrington, Cheshire WA3 6AS, England.

REPORT

Western Europe (except France) is at an impasse, writes **Chris Cragg**

Ashes without a phoenix

THE nuclear industry in OECD Europe, outside France, is fighting to survive past the early decades of the next century. For with France excluded, there are no definite plans for any more nuclear capacity on line before the end of the century.

Only in Britain, where Nuclear Electric has asked to build Sizewell C after completing Sizewell B, and in Finland, where Parliament has just voted down a plan to build a fifth reactor, are there signs of potential activity. Elsewhere, construction is at a standstill.

In Belgium there has been a moratorium since 1989 and new demand is being met by gas-fired stations. In Spain, the 1984 moratorium, which left five stations unfinished, continues until 2000. A policy of no new construction has applied in the Netherlands since the 1986 Chernobyl disaster. In Germany, an extremely complex legal situation has kept a completed reactor at Mulheim-Karlich off-line since 1988, although its owners – RWE – successfully sued the local government for damages.

In Switzerland, the 320MW BKW Mühleberg reactor is to be expanded to 352MW by 2000, but this hardly constitutes much of an advance. In Sweden, official policy still insists on the 1980 referendum decision to phase out nuclear, although the policy had been modified to ensure that functioning reactors would not be shut until there were alternative sources of power.

The result is that OECD Europe will only see much advance on its 118.8GW of existing nuclear capecity through continuing French expansion. Here, four new 1,400MW reactors are under construction and will come on line between 1995 and 1998. Four further sites are now being chosen.

Yet the French programme has not been without its problems. Steam generators have had to be replaced in phases in the 900MW series of reactors, while a generic design fault has been found in the 1,300MW series.

Equally, Electricité de France's 1,140MW commercial scale fast breeder reactor – Superphénix – has been off-line since 1990. It may now be restarted at 50 per cent of its nominal capacity, primarily as a nuclear waste incinerator.

All this takes place against a general assumption that 21st century Europe will need more nuclear capacity to meet the challenges of carbon dioxide output. Such an assumption has been much discussed recently because in the absence of further orders the industry will slowly wither away. Equally, it is difficult to attract young engineers.

Britain's N-plants have been performing well, but young engineers still shrink from the industry

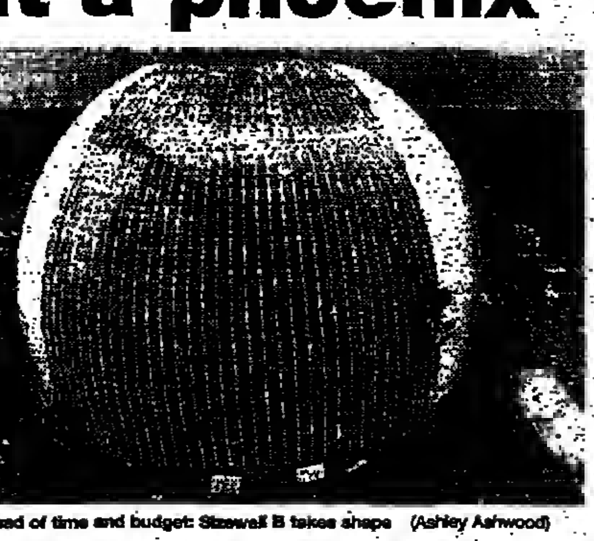
The dilemma is illustrated by the situation in Nuclear Electric in the UK. Compared with the nuclear section of the old Central Electricity Generating Board in pre-privatisation days, Nuclear Electric has been doing astonishingly well. It is finishing its first PWR reactor at Sizewell B eight months ahead of schedule and on budget and the new reactor should be on-line far earlier than the target of February 1995.

Yet as important has been the improvement in performance of its AGR reactors. In 1989-90, these produced 21.7 terawatt hours and were widely held in contempt. However by 1992-93, the output had improved to 34.6 twh.

The key here has been improved load factor, the amount of time these high capital cost reactors are on-line. While critics may say that its competitive position is unfair due to the non-fossil-fuel levy, or wonder why the situation was so bad under the old CEGB, the fact remains that the UK's nuclear power sector is a good deal better run now than it was four years ago.

Yet there are many problems ahead. Of Nuclear Electric's 9,029MW capacity, excluding Sizewell B, 3,349MW consists of elderly Magnox reactors. These are approaching the end of their design life. While assuming successful safety inspections, many of these could continue running for some time, the expenditure involved as a result of safety reviews tends to increase the cost of operating them.

Sizewell B, at 1,200MW, consequently does not compensate for the impending, if phased, closure of the Magnox capacity. Even with a continuing improvement in the efficiency of its AGRs, Nuclear Electric is still left with a fall in its capacity, and thus of market share, towards 2000. Unless, of course, it builds Sizewell C.



Ahead of time and budget: Sizewell B takes shape (Ashley Ashwood)

The arguments about Sizewell C encapsulate many of the problems facing the Western European nuclear industry. The success of the French nuclear programme basically lay in the French government's decision to go nuclear as a result of perceived energy shortages. The French built their plant in series. The same design and construction teams built similar plant all over the country. One technical argument for Sizewell C is that the same design and construction people will do the job. If a decision is postponed, or avoided, that newly acquired expertise will inevitably disperse.

Yet *Nuclear Electric*'s ability to continue its new PWR series depends on raising the necessary finance. Being in the public sector, constrained government finances make it unlikely that funding will be made available. To build Sizewell C necessarily requires Nuclear Electric to be privatised or at least allowed to appeal for private funds. But even if this eventually happens, the company may have difficulty persuading a reluctant City to take on the necessary liabilities. It was these liabilities that prevented the nuclear industry from being privatised in the first place.

There are frequent exhortations from government ministers, both in the UK and elsewhere, that the proportion of nuclear should rise, or at minimum stay level, for strategic reasons. Yet the intellectual tide, in a period of relatively low energy prices, is against nuclear. State involvement is frequently necessary to ease the entry of private capital. Capital costs are high and the nuclear time horizon is long.

The market, by contrast, is opening out to competition all over Europe, with the thrust towards "third party access" to national and international electricity grids. Contractual insecurity is growing as a result. It was no accident that in Britain's "dash for gas" the power technology chosen was gas-fired because these stations could be built very rapidly and at low capital cost.

Strategic energy planners for the 21st century can make as many prophecies as they like about the necessity of a growing role for nuclear. The problem is that the longer the European moratorium lasts, the more the French alone will dominate its revival, if it can be revived at all.

Equally, the nuclear generating industry is still tied into the idea, prevalent in the 1960s and 1970s, that very cheap electricity could be attained by closing the nuclear fuel cycle. This meant reprocessing with all its attendant public hostility, rather than final disposal of spent fuel. Yet reprocessing fuel is essentially irrelevant to generating electricity from nuclear power in fission reactors. The nuclear industry supports reprocessing at Sellafield and Cap La Hague because it has marched too far down the reprocessing path and it has become impossible to retrieve its spent fuel rods from the storage ponds at Sellafield.

But if the industry is to survive and grow in Western Europe, the nettle of long term waste disposal must be grasped.

□ *Chris Cragg is Editor of* FT Energy Economist

■ **Profile:** JOSCHKA FISCHER

The road block is a Green

MR JOSCHKA FISCHER is a cheerful, rotund and expansive figure, with tousled hair, and a T-shirt worn under an open collar: articulate, self-confident, and laid-back. He is the archetypal child of the 1960s in middle age.

He is also the man who is holding Germany's powerful nuclear energy industry to ransom. His hostage is the DM1bn nuclear fuel-element plant being built at Hanau in the state of Hesse by Siemens, the country's foremost nuclear power station contractor.

Mr Fischer is a former world revolutionary and Frankfurt taxi driver who is now the environment minister of Hesse. He is deputy premier of the state in a coalition between the Social Democratic Party (SPD) and his own Green Party.

The German nuclear power generators, led by the Big Three electricity utilities, Bayernwerk, RWE and Veba's PreussenElektra, are required by German law to re-use their nuclear waste to the maximum possible extent, via re-processing. And Hanau is the critical element – and the weak link – in that recycling process.

As environment minister, Mr Fischer has simply prevented the plant receiving the necessary planning permission to come into operation. The nuclear waste produced by Germany's 20 atomic power stations is being turned into plutonium in France and Britain, and then has nowhere to go. It is rapidly becoming a severe embarrassment.

"What we are doing has nothing to do with abandoning nuclear energy," Mr Fischer says with a disarming smile. "It must be a factory which is safe, and corresponds to the law. Just like a car, it needs to be licensed."

Mr Fischer is undoubtedly being disingenuous. He is completely committed to the goal of getting Germany to abandon nuclear power generation, as soon as may reasonably be achieved.

He also knows that nuclear waste disposal is the weak link in the nuclear chain. "Everyone must understand that things have changed here in Germany," he says. "Since the 1970s and 1980s, things have been moving. Abandoning nuclear power is now inevitable. It is no longer a question of if, but merely of when and how we get out."

Mr Fischer led the Green Party delegation in the ill-fated attempt over the past year to negotiate a cross-party "energy consensus" over the future of both the nuclear industry, and the German coal mines. And he led his party out of the talks in the summer, when it became apparent that the government and the power generators were determined to keep the nuclear option open.

"The result we almost had [promoted by Mr Gerhard Schröder, the prime minister of Lower Saxony] was very bad," he says. "It would have been a capitulation." It would have meant allowing the present generation of atomic power stations to have an operating life of around 40 years, far longer than the Greens are prepared to accept. It would also have meant allowing a new generation reactor to be built.

"It is a mystery to me why this was a compromise," he says. "After 2010 or 2015, this new generation would then have been brought in. There would have been no abandonment of nuclear power."

Instead, the collapse of the talks at the end of October has left Germany with a *de facto* moratorium on the future of nuclear energy. And the next

Joschka Fischer: the issue is not whether we drop nuclear but when

decisive event will be the October 1994 elections for the new Bundestag, with Mr Fischer's party firmly aiming for a share in a SPD-led coalition.

"There would be no government participation [by the Greens] with a continuation of nuclear energy," Mr Fischer says bluntly. "What is negotiable is only how and when we get out."

His ambitions are certainly not out of the question. The Greens are doing better from the current mood of disenchantment in Germany with all established politicians and parties than anyone else – including the much-feared splinter groups of the far right. They won almost 14 per cent of the vote in the most recent Hamburg city elections. If they can do that across the country, they must have a very good chance of forming a red-green coalition with the SPD.

As far as the German nuclear power industry is concerned, Mr Fischer's skirmish over the Hanau fuel plant is merely a foretaste of the full-scale war to come if he emerges as a king-maker in the next Bonn coalition.

Quentin Peel

UK wrestles with the waste dilemma, says **Bronwen Maddox**

At a strategic crossroads

THE question of how to dispose of accumulating nuclear waste is confronting UK politicians as they prepare to debate the future of nuclear power.

The UK has not resolved the issues of how to treat the waste from its nuclear power stations, or where to put the scrapped stations when they come to the end of their lives.

The uncertainties about the costs – and about who will pay – scuppered plans to privatise the nuclear industry three years ago. They will haunt also the government's forthcoming review of nuclear power.

At the heart of the question are some of the thorniest environmental decisions facing the government. Countries who are signatories to the international London Dumping Convention voted last week to ban permanently dumping of radioactive waste at sea. The UK has 100 days to decide whether to opt out and incur international criticism.

The UK has already agreed to a 15-year temporary ban under a separate treaty, the Paris and Oslo convention, but reserved the right to start dumping again at that point. However, if it abides by the LDC vote, it must look more urgently at disposal routes on land. But there too it faces tough decisions.

Ministers are due to announce soon whether they will give the go-ahead to the £2.89bn Thorp reprocessing plant at Sellafield in Cumbria, which will treat used or "spent" fuel. In the next few years they must also decide whether to build a long term storage dump in the rocks under Sellafield.

To environmentalists, the problems of disposing of nuclear waste are one of the most powerful arguments against nuclear power. Mr Simon Roberts, energy campaigner at Friends of the Earth, the "green" pressure group, says: "what right have we to leave this contamination for future generations?" Greenpeace, one of the UK's largest environmental pressure groups, has also challenged the government in court on its support for Thorp.

Nuclear waste is normally divided into three categories by the intensity of the emitted radiation. Low-level waste – more than 90 per cent of waste in the UK – includes operators' protective clothing, packaging and other material which has been exposed to low doses of radiation. Intermediate level waste typically includes metal scraps, sludges and resins; high-level waste mainly consists of used fuel rods from reactors.

Much of the UK's waste has been generated by the military side of the nuclear industry, from development of submarines and missiles. But within 15 years it will have to begin handling the waste from decommissioning the ageing Magnox reactors. Some of the waste is bulky, particularly the large steam generators or boilers from these plants, and eventually the concrete structures themselves, one reason behind Britain's preference for sea dumping.

Scottish Nuclear backs Thorp but has opted for dry storage for some of its spent fuel

At the moment, the UK's low-level waste is stored at ground-level at Drigg, in Cumbria, and intermediate level waste is stored around the country at the sites where it has been produced. High-level waste is sent to the government-owned British Nuclear Fuels' plant at Sellafield where it is reprocessed and stored.

However Nirex, the government's Nuclear Industry Radioactive Waste Executive, which has been established to provide long-term storage, is investigating whether a permanent repository for low and medium level waste could be carved out of the rocks below Sellafield.

This summer, the government's Radioactive Waste Management Advisory Committee voiced reservations about the choice of site. Part of its concern is that preliminary tests showed upward pressure in the underground water table at that point, suggesting a risk that radioactivity could enter the water courses.

RWMAC also warned that because of the need for further geological tests, it was unlikely that the repository would be ready before 2010, three years behind schedule, even if all concerns were adequately answered. Nirex is due soon to apply for planning permission for a small underground laboratory to begin answering these questions.

Meanwhile, the government must decide about Thorp, after weighing up responses to the recent public consultation, the second in the plant's history. Thorp, which also has orders from Japanese and German utilities, is designed to separate reusable uranium and plutonium from used nuclear fuel, leaving a smaller amount of true waste. BNFL, which has spent more than 10 years building the plant, says that all questions were answered by the 1977 Windscale inquiry which gave the go-ahead for Thorp's construction.

However, the plant's critics, notably Greenpeace, argue that Thorp's operation will increase the amount of plutonium in the world and so contribute to the risk of proliferation of nuclear weapons. They add that dry storage – temporary storage of unseparated spent fuel for several decades – is emerging as a cheaper alternative.

Scottish Nuclear, the nuclear generator, has already announced that it is opting for dry storage for some of its spent fuel, although it adds that it believes the nuclear industry would suffer if Thorp did not go ahead.

Many of these choices depend on comparison of the costs of the different options. Some of those costs are not yet clear – as in Nirex's case. Others depend greatly on policy decisions, such as the method and timing of the Magnox decommissioning.

Russia and Ukraine make the best of their plants despite doubts on safety, says **John Leslie**

Reluctant heirs to the Soviet legacy

WIDESPREAD alarm over the safety of Soviet-designed reactors in eastern Europe has not prevented a resumption of expansion plans by post-Soviet Russia and the Ukraine.

In the Ukraine a recent parliamentary vote not only facilitated the resumption of construction at three sites, but also permitted continued operation at Chernobyl, site of the 1986 disaster.

Ukraine's decision is is understandable. It imports half its primary energy requirements, mostly from Russia. Since it gained its independence, the cost of that energy has escalated because Russia is no longer prepared to sell gas and oil at subsidised prices, given its own desperation for hard currency earnings. Ukraine now owes Rbs600bn for gas, which is used extensively in power generation, with the prospect of paying full world prices from January 1994.

Ukraine is therefore forced to increase its dependence on nuclear because it cannot afford to buy alternative sources, such as the plentiful Russian gas. Current generation is dominated by thermal plants (66 per cent) while nuclear accounts for 27 per cent of generation.

The Ukraine's decision to continue operating units at Chernobyl aroused particular dismay because the reactors are the RBMK type, considered the most unsafe. However, the parliament also voted to complete the partly built 1,000MW third generation WWER units at the Khmelnitski, Rovno and Zaporozhe plants. The Ukrainians still have to decide what to do with their waste as Russia seems no longer willing to handle it on a long-term basis.

The WWER units are generally recognised as being much safer although they have often been tarred with the same brush as the RBMK, mainly because of the state of the Kozloduy plant in Bulgaria. While western technology can greatly improve the safety of the plants concerned, there is little evidence that the Ukrainians or the Russians are looking for new western reactors.

This was compounded when an International Atomic Energy Agency (IAEA) panel reported there was no reason for the closure of RBMKs at five sites in Russia and Lithuania, provided earlier IAEA safety recommendations were implemented.

Such statements reinforce Russia's decision to press on with its own nuclear programme, placed on hold after Chernobyl, and to rely almost entirely on home grown reactors. Russia intends to increase nuclear's share of generation from 11.8 per cent to 30 per cent by the year 2030.

A main motive for the Russians is their need to maximise oil and gas exports for urgently required hard currency earnings.

Given the danger that because of Russia's declining oil sector it may change to a net importer of crude from a major exporter, the emphasis on gas exports is growing. As gas is also used extensively for electricity generation, the Russians are likely to prefer growth in nuclear generation rather than gas-fired plant in order to maximise hard currency exports.

There is still plenty for western utilities to do in raising safety and efficiency in CIS and east European reactors

The Russian programme envisages the completion and operation of three new units at Kalinin, Kursk and Balakovo by 1997 as well as two new units at Balakovo by 2005 and a further 20 reactors by 2010. The programme is based largely on development of various new medium-sized reactor designs.

The Russians are also persisting with fast breeder reactors, developing a larger version of the reactors now operating at Beloyarsk and at Shevchenko in Kazakhstan.

Although the main expansion programmes in the region are intending to utilise domestic technology, there is still plenty of work for western utilities in enhancing safety and efficiency at existing plant. This is particularly the case as more funds seem to be flowing in the region's direction.

One key step was the establishment of the G-7 multilateral fund to improve safety at plants in eastern Europe, which is being administered by the EBRD.

The fund is also only designed for the 32 reactors deemed safe enough for upgrading, and excludes the 26 RBMK reactors currently operating in the region, as well as equipment designed to prolong the operating life of a plant. A timetable for closure has to be therefore agreed before a grant is made – a difficult business for a country such as Bulgaria which relies on its sole nuclear plant at Kozloduy for 40 per cent of its electricity. In order to obtain a grant of Ecu24m from the fund the Bulgarians had to agree to close down two of the older units at the plant.

Another important breakthrough came in the summer when the EC announced that for the first time teams of western experts were to carry out long-term safety work at six Russian and Ukrainian sites. The agreement was reached because the Russians and Ukrainians offered suitable legal indemnity in the event of accidents. The agreement is expected to add a further Ecu63m to the Ecu30m the EC has spent on nuclear safety in Russia and Ukraine so far under the TACIS programme. Companies across the Community, including EdF, Scottish Nuclear, Tractebel, Nuclear Electric and RWE have obtained contracts under the programme.

Elsewhere in the region, Western operators have had some joy in the Czech Republic and Slovakia. Both countries currently operate one nuclear plant each but, after much indecision, the Czechs announced in March that they would complete two units on the country's second plant at Temelin. Westinghouse was employed as the principal contractor for safety and control equipment.

The decision comes in spite of a significant decline in demand for power in recent years and assumes, despite evidence to the contrary, that demand will grow by 2 per cent a year from 1995. Westinghouse hopes that its modernisation of the WWER 1,000MW reactors at Temelin will give it prime position when other countries embark on similar schemes.

Meanwhile, the Czech Republic's former partner Slovakia has embarked upon an even more controversial course. The Slovaks estimate that it will cost $768m to complete two units at the partially constructed Mochovce plant and have held negotiations with western companies over the formation of a joint venture to complete the plant which is being lined up for privatisation. Extensive talks have been held with Bayernwerk and EdF and the EBRD is said to have been approached over funding.

□ *John Leslie is Editor of* FT East European Energy Report

The future remains clouded

Continued from Page I

The environmental lobby is powerful, one reason why none of the nuclear reactors in the former East Germany are in operation.

■ EAST EUROPE. Russia has revived plans for significant expansion, aiming to increase nuclear's share from 12 per cent to 30 per cent of the electricity generation by 2030. Although it has plentiful supplies of oil and gas it needs to export these for hard currency.

But the same lack of resources may force a severe scaling down of the plans which involve the construction of more than 20 reactors. At the very least Russia is likely to need World Bank help if it is to proceed.

In the Ukraine, unable and unwilling to buy Russian gas, the parliament recently voted to resume construction of three nuclear plants where work had stopped and the continued operation of Chernobyl.

That worries the rest of the world nuclear industry which fears that another accident like 1986, whether at Chernobyl or anywhere else, will put plans for increasing expansion off for years and possibly for ever.

The need to reduce the likelihood of a further disaster prompted the industry in 1989 to form the World Association of Nuclear Operators.

Since then the association has helped facilitate a series of exchanges between eastern and western nuclear scientists.

Mr Rémy Carle, chairman of the WANO governing board and deputy general manager of Electricité de France, told the Uranium Institute annual symposium in London recently that avoidance of accidents was one of four lines of attack the industry should pursue to help bring about a revival.

The other three were resolving problems over waste, developing "even safer" power stations and fuel designs, and trying to make nuclear power accepted as a "perfectly normal energy resource". Providing these problems are tackled, he says, the industry is set for recovery. "The nuclear industry will take off again when there is a strong need for it."

That implies what many other people in the industry believe: that conditions for growth depend on the world economy, supplies of other fuels and other factors over which the nuclear industry has little control.

هكذا من الأصل

Clive Cookson identifies the world's main reactors and discusses future design trends

Models for the next century

SIX different reactor types are generating electricity commercially around the world but one, the pressurised water reactor originally developed in the US, dominates the international nuclear industry. PWRs are operating in 20 countries and generate more than 60 per cent of the world's nuclear electricity.

The PWR uses ordinary water as both coolant and moderator. (The coolant carries heat from the reactor core to the generator; the moderator slows down the neutrons produced in nuclear fission sufficiently to give them a good chance of hitting another uranium atom in the fuel, so carrying on the chain reaction.)

In the PWR, the hot water is pumped under high pressure (to prevent boiling) to the generator, which raises steam in a separate circuit. This distinguishes the PWR from its closest cousin, the boiling water reactor. In the BWR (boiling water reactor) the water is allowed to boil in the reactor circuit and raise steam directly without the need for a heat exchanger. But the advantage of a simpler circuit design is offset by the requirement for additional shielding of the generating system.

The third type of water cooled and moderated reactor is the Canadian CANDU design. It uses heavy water (D_2O) instead of the light water (H_2O) in the PWR and BWR. Because heavy water is a more efficient moderator, the CANDU can run on unenriched uranium dioxide, while the PWR and BWR require enriched fuel. On the other hand, it depends on a reliable cheap supply of heavy water.

In contrast, the reactor types developed and built in the UK – until a PWR was chosen for Sizewell B – are cooled by carbon dioxide gas and moderated by graphite. The first generation, known as MAGNOX reactors after the magnesium alloy used to encase the uranium fuel, were built between 1956 and 1971.

Their successors, the advanced gas-cooled reactors, were designed to operate at higher temperature and pressure, in order to achieve better thermal efficiency and power density. The intention was to reduce capital and running costs, but the more complex design was plagued with engineering problems which delayed construction and commissioning of AGRs.

The sixth reactor type is the Soviet water-cooled graphite-moderated RBMK, of which the most notorious example is Chernobyl. Western experts believe the RBMK is inherently unsafe because the reactor design is unstable at low power.

The industry has recently stopped using the term 'inherently safe' for its next range of reactors

This feature, combined with human stupidity, led to the 1986 Chernobyl incident.

In the aftermath of the Three Mile Island (1979) and Chernobyl accidents, the nuclear industry talked a lot about designing a new generation of "inherently safe" reactors which would shut themselves down safely if anything went seriously wrong, without relying on human operators or added mechanical devices. Examples of such designs include Sweden's PIUS (Process Inherent Ultimately Safe) and the UK's SIR (Safe Integral Reactor).

However, as the Institution of Electrical Engineers points out in an excellent new booklet on nuclear power published this month*, the industry has recently stopped using the term "inherently safe" for its next generation of reactors "on the grounds that it is misleading". The words suggest a revolutionary approach, whereas the industry's designs are based on PWRs and BWRs operating today.

The industry prefers instead to talk about building "advanced" reactors for the beginning of the next century. Although no orders are forthcoming yet from the world's utilities, the manufacturers have prepared a dozen designs to tempt them.

These have several common features, intended to reduce costs and increase safety. For example the power density of the core is reduced and the reactor is larger than earlier designs with the same output. And the new designs are simpler, more rugged and more forgiving of operator error and mechanical failure.

But their enriched uranium fuel will be very similar to that in current reactors. The new designs do nothing to answer the anti-nuclear critics who say the greatest hazard of atomic power is not the tiny risk of a catastrophic reactor accident but the certainty of more radioactive waste arising from the nuclear fuel cycle.

The US is developing four advanced reactor designs with joint funding from the federal government and industry. There is a pair of large 1350MW designs (System 80+ from ABB Combustion Engineering and the Advanced BWR from General Electric) and a pair of smaller 600MW designs (AP600 from Westinghouse and the Simplified BWR from GE).

There is little immediate prospect of new business from the US electricity supply industry, which has not ordered a nuclear plant since 1978. But the two larger US designs stand a reasonable chance of winning export orders in Asia.

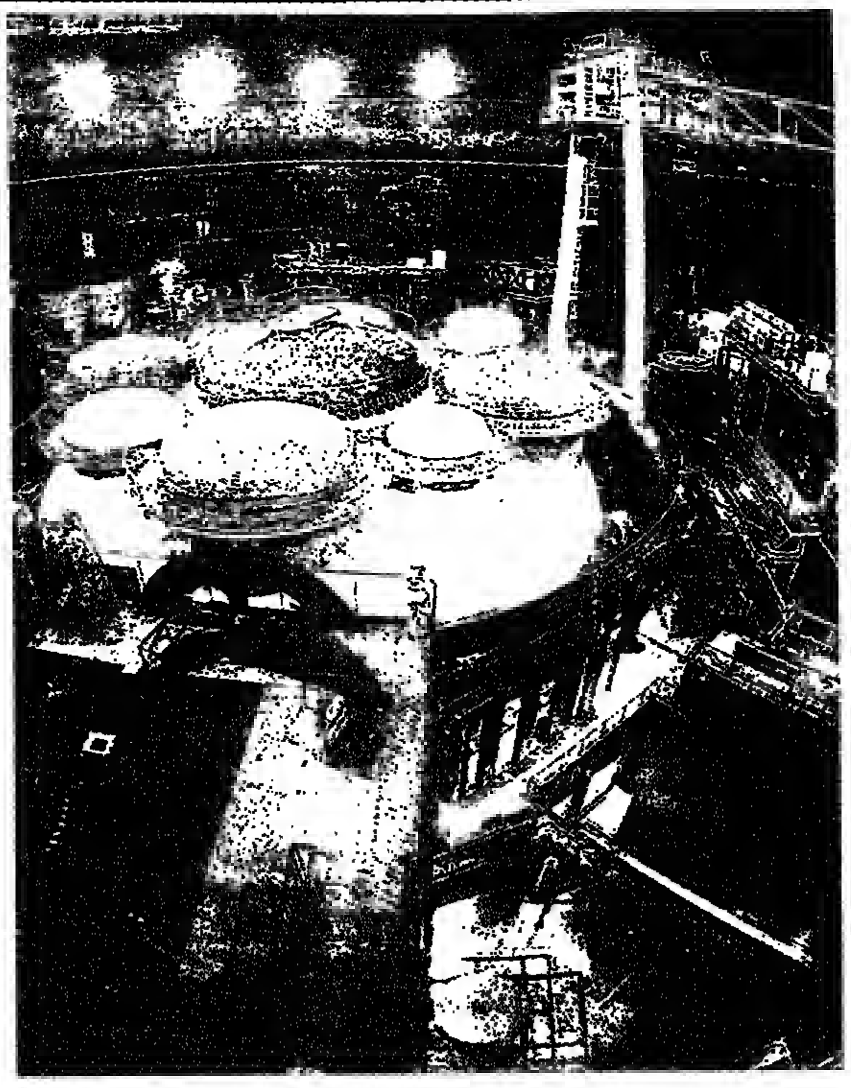
Europe's leading design candidate is the 1450MW European PWR (EPR) from the Nuclear Power International partnership of France's Framatome and Germany's Siemens. It is very much an evolution of operating French and German PWRs. NPI hopes the EFR will be ready for ordering in 1997.

All the designs discussed so far are "thermal" reactors; their water or graphite moderator produces "slow" neutrons to sustain the fission chain reaction. But the founders of the nuclear industry 40 years ago had imagined that the world would have moved on by now to "fast reactors" with no moderator.

The fast reactor is also known as a "breeder", because surplus neutrons escape from the core and convert a surrounding blanket of unenriched or depleted uranium into new nuclear fuel in the form of plutonium. Prototype fast reactors have operated for many years in several countries (the UK example is at Dounreay on the north coast of Scotland) but they are more expensive to build than thermal reactors. With conventional nuclear fuel expected to remain cheap for decades to come, the economics of the industry do not currently favour them.

A still more distant prospect is the fusion reactor, whose energy comes from the joining of two light atoms into a heavier one; this is the exact opposite of the fission process in thermal and fast reactors. Fusion energy powers the sun and stars – and the hydrogen bomb – but has not yet been tamed for use in a nuclear power station. Fusion experiments such as the Joint European Torus (JET) in Oxfordshire have shown promise but commercial fusion reactors will not enter service before the year 2040.

Nuclear Power in the UK, IEE, Savoy Place, London WC2. £5.



A French Super Phenix fast breeder reactor at Creys-Malville (Picture, Ashley Ashwood)

Japan's expansion plan is proving too ambitious, reports **Frank Gray**

Away from the fast lane

JAPAN rarely misses its economic and industrial targets, but it may fall well short of its objective of adding 40,000MW of nuclear capacity between now and 2010.

The target, announced by the Ministry of International Trade and Industry at the start of the 1990s, was remarkably bold, but also ominous because of concern over placing so much nuclear capacity in an island nation only a little larger than the British Isles but twice as crowded.

Japan's electricity industry, dominated by 10 private regional utilities, has so far towed the MITI line, although many executives now admit that the plan is too ambitious.

Equipment exporters, such as General Electric and Westinghouse of the US, which control the licensing for much of the turbine technology used by the Japanese nuclear industry, welcome the potential bonanza, but also expect it to be scaled back over the next two decades.

Nevertheless, MITI, and its partner organisation, the Agency for Natural Resources and Energy, is sticking to its guns. Japan's nuclear emphasis dates from the Middle East oil prices crises of the 1970s, and its power stations' very high dependence on imported oil, coal and liquefied natural gas.

Japan is third in the nuclear generating league after the US and France

Along with some hydroelectric and pumped storage, the nuclear option would insure against any further upheavals among its chief fuel suppliers.

At present, Japan has more than 42 nuclear power stations, with a combined capacity of 35,000MW. Output is 212 terawatt hours (twh), which means that nuclear supplies nearly 30 per cent of all Japan's electricity.

Japan is third on a world scale behind the US, with 110 plants, 105,000MW, generating 612 twh; and France whose 54 plants with a capacity of 57,600MW produce 314 twh.

The MITI plan calls for 50,000MW by 2000 and 72,500MW by 2010. A certain degree of reality is making itself felt, and the country's utilities now expect a target of 45,000MW by 2000 to be more realistic.

A total of 10 nuclear power stations are being built or awaiting construction. Given Japan's fairly fast installation deadline of five years per unit, this means that the modified target looks reachable. Beyond that, however, authorities admit to having much difficulty in establishing sites for new nuclear units.

All reactors are at coastal sites – some utilities, such as Tokyo Electric Power Co, Japan's largest with more than a third of all electricity capacity – operate several nuclear units outside their own service area. In addition, Japan's anti-nuclear lobby has become more effective in sounding alarms against the dangers of too much nuclear.

Given the recent change of government, say Japanese energy officials, the anti-nuclear arguments will be more strongly felt, and this will stall clearance of new sites.

On top of this, the outcome of the Gulf conflict and the recent Israeli-Palestinian peace accord are seen as having a long-term stabilising effect on Middle East oil prices.

While Japan's nuclear programme is likely to fall behind schedule, it is pressing ahead with a long-term partner scheme to develop a full nuclear fuel cycle to give Japan a capacity to undertake nuclear power production with minimal recourse to overseas suppliers, either in terms of equipment or uranium.

The first sign of this is the Rokkasho Mura uranium enrichment facility, the first phase of which opened in Aomori Prefecture in northern Japan in March 1992. A nuclear fuel reprocessing facility is to start operating by 2000, according to plans.

The first demonstration fast breeder is expected to come on line by 2000

In line with this, Japan is developing new types of "breeder" reactors, now at an experimental stage, which would save on uranium imports. The first demonstration Monju fast breeder reactor (FBR) is expected to start operating by 2000. An advanced thermal demonstration reactor (ATR) will be constructed in Ohma-cho, Aomori Prefecture, and will start operating in 2002.

It is doubtful that any type of commercial version of the FBR-ATR reactor will be generating electricity before 2010, after the current expansion timetable has passed. Japan's expressed determination to press ahead with its multi-faceted nuclear programme has sparked wide controversy, not least because of the world glut of uranium. This surplus, like that of oil, could slow down Japan's nuclear expansion.

Bronwen Maddox reports from Chernobyl on the awesome results of the world's worst nuclear accident

Damage limitation in a death zone

GHOST towns are scattered across the fields and marshes around the Chernobyl nuclear power station, the site of the world's worst nuclear accident. A wire fence, 10 kilometres in radius, stops anyone but the plant's operators and a few scientists and visitors from entering this silent, poisoned zone.

The explosion at Chernobyl in April 1986 is the shadow that hangs over the world's nuclear industry. It left thousands of acres of farmland in Belarus, Ukraine and Russia contaminated beyond recovery, and thousands of people exposed to radiation – the consequences for their health are still unknown.

Yet last month the Ukrainian government reversed its earlier decision to close down the remaining three reactors at Chernobyl by the end of the year because of the cost of buying oil and gas from Russia. Instead, work is underway to repair the second of the three reactors, which has been out of operation for two years following a fire.

That decision illustrates the problem facing a handful of the world's poorer countries: they have few alternatives to nuclear power, but lack the cash, technicians and management to run them safely. It presents richer countries with a challenge of how best to deploy assistance and funds to solve what is clearly an international threat: radioactive dust from Chernobyl reached much of western Europe.

The public hostility to nuclear power provoked by Chernobyl also raised the question of how high richer countries' nuclear standards should be.

Safety measures in Western Europe, Japan and North America – pushed steadily higher by powerful "green" pressure groups and public opinion – are responsible for a large proportion of the costs of nuclear power, though one that is hard to quantify.

Recent Western efforts to improve the safety of the 58 Soviet-designed reactors in the former Soviet Union and Eastern Europe have focused on the 25 worst. In particular, they have targeted Kozloduy in Bulgaria and Ignalina in Lithuania.

A 90 year-old villager who refused to abandon her land in the Chernobyl radiation zone (Picture: Reuter)

Two years ago, Kozloduy was condemned as the world's most dangerous nuclear plant by inspectors from the International Atomic Energy Agency (IAEA), the Vienna-based nuclear watchdog, which found that it lacked even the emergency cooling system standard in western reactors.

Since then, Western European nuclear experts have been training the operators and ordering pipes and valves to be strengthened, as part of a programme run by the World Association of Nuclear Operators, an organisation set up three years after Chernobyl to promote high standards of nuclear management.

In June this year, the European Bank of Reconstruction and Development also approved a 24m Ecu grant to improve fire protection, cooling systems and valves.

At Ignalina, an IAEA report in February cited a long list of safety concerns including inadequate systems to relieve steam pressure. Efforts to upgrade the plant are being led by Sweden, the first country outside Ukraine to detect the Chernobyl explosion, and just across the Baltic Sea from Ignalina.

So far, the Swedish government has paid SKr70m (£5.7m), with another SKr53.2m due next year to upgrade equipment and improve management.

But funds have so far fallen short of the problem: estimates have put the cost of thorough improvements at between $10bn and $20bn. Moreover, progress has been handicapped by western companies' concerns about sharing in liability for the plants. Some have told the IAEA that they are worried that if there are accidents at the plants, they could be held to blame because their name is on some of the equipment.

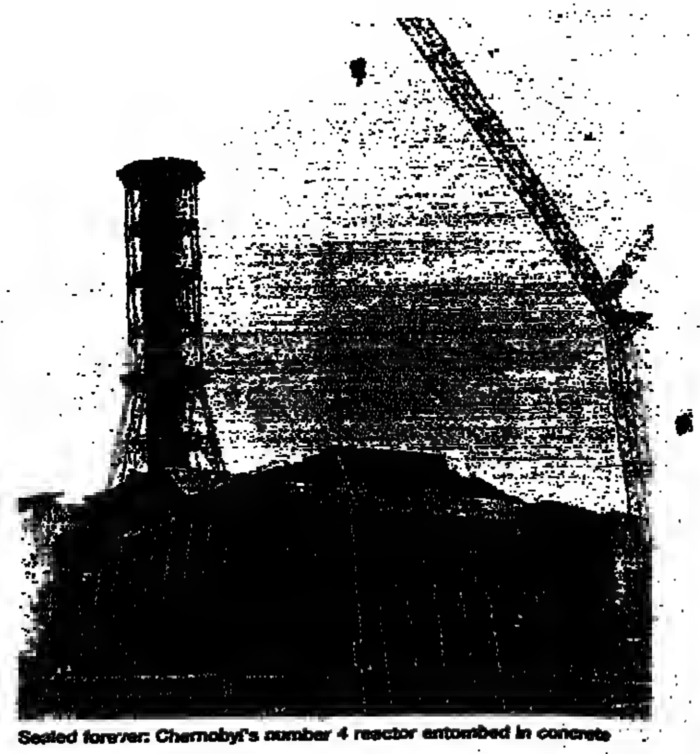
Awareness of the urgent problems at the eastern reactors has also heightened public pressures in richer countries for close scrutiny of nuclear standards. Mr Simon Roberts, energy campaigner at Friends of the Earth, the environmental pressure group, has attacked western governments for paying too little to improve the "rickety reactors" of eastern Europe or for developing alternatives to nuclear power at home.

The UK's Health and Safety Executive, which licenses nuclear installations, in a detailed and thoughtful report last year, pointed out that assessing the risk of disaster in nuclear plants is extremely difficult, as it consists of the judging the probabilities of failure in many interconnected pieces of equipment. Some of the factors, such as human error, which was responsible for the accidents at Chernobyl and at Three Mile Island in the US, are "of their nature very hard to estimate," it comments.

It observes, too, that people will tolerate much higher levels of risk in events they can control, such as riding motorcycles, than they will in others such as nuclear power or water quality. They have a particular fear of radiation, frequently out of proportion to the risks of exposure: many seem to rate death by radiation as worse than a death in a traffic accident, the HSE comments.

Its conclusion is that safety standards in any future nuclear plants – although the government has not yet decided whether to lift a moratorium on building new plants – should be set so that the risk to the public is at least 10 times less than that of a traffic accident. This is a much higher standard that that for non-nuclear plants, it points out.

The result of these pressures is an uncomfortable future for nuclear operators in richer countries. They face pressure at home for tighter and more expensive safety standards at a point when many governments are scrutinising the economics of nuclear power closely.



Sealed forever: Chernobyl's number 4 reactor entombed in concrete

But they know, too, that much of the world's nuclear industry is run on much lower standards, a problem which international organisationa have not yet successfully addressed. The risk they face, which they cannot control, is that another Chernobyl will irrevocably turn public opinion against nuclear power. It is in the nuclear industry's interest that the eastern problems are tackled soon.

■ **Profile:** ROGER HAYES of the British Nuclear Industry Forum

It's all about image

THE TRADITIONAL route to the top io UK nuclear organisations has been long years of work, usually technical, in the industry. Outsiders have fouod it difficult to penetrate a secretive and inward looking world.

But the iotrospective culture has been slowly changing following the appointment in recent years of Mr Bob Hawley and Mr James Hann, both outsiders recruited from the private sector, as chief executive of Nuclear Electric and chairman of Scottish Nuclear respectively.

The latest outsider is Roger Hayes who has been chosen for the job of director general of the British Nuclear Industry Forum, an umbrella for some 72 nuclear-related companies including Rolls-Royce and GEC. It is reflective of the industry's desiro to break out of its egg-headed, closeted image that his background is in public relations. There is plenty of scope for him to make use of his skills.

The oext six months or so coold be crucial to the future of noclear power in the UK. Following the decision not to privatise Nuclear Electric and Scottish Nuclear in 1989, when the rest of the electricity supply iodustry was sold off to the private sector, the British governmeot is due to start a nuclear review by the end of next month.

Although the review is unlikely to rule out construction of more nuclear power stations it will have a decisive influence on the speed of development. There could also be a greater role for the private sector and Nuclear Electric is pressing hard that it be privatised.

Rarely has the UK nuclear industry needed an effective spokesman more strongly. Mr Hayes, 48, has experience both in corporate and political lobbying. After a spell as Renter economics correspondent in Paris in the late 1960s and early 1970s he joined Burston Marsteller to specialise in corporate affairs for multinationals and governments.

In a decade with BM he was involved both with British politics through the "Britain in Europe" campaign and as a foooder of the Tory Reform Group. In the 1980s he had spells with Thorn EMI as corporate communications director and developing his own consultancy before moving to Ford of Europe in 1991 as vice presideot of public and government affairs.

His tenure at Ford ended this year after the appointment of Mr Jacques Nasser as head of Ford of Europe. Hayes puts it down to strategic differences but admits that it was difficult for an outsider at Ford, a company which like the nuclear industry normally expects senior executives to be products of the motor sector.

"The average Ford employee has about 23 years with the company. I did not know the industry well and it was quite difficult to gain credibility." Part of the difficulty was lack of time, says Hayes. He was at Ford for two years but expects to spend longer at BNIF.

His aim is to "bring the forum and the industry more into the centre of events" partly by playing a bigger role internationally and partly by making it more active.

"Like many other people I think the industry has been timid and defensive. We must answer the views of our critics in Greenpeace and other organisations but we should not get too bogged down in that. We also need to stake ont some territory of our own.

Roger Hayes: plenty of scope for a public relations practitioner

"We must certainly put the business case for nuclear power and demonstrate the industry's role to reduce global warming. It is also important for the big companies to sing the same song. Maybe I will need to knock some heads together."

That may prove difficult. Although the nuclear industry is at one on some obvious issues, such as pressing for expansion, there are significant differences between Nuclear Electric and British Nuclear Fuels over contract prices and between Nuclear Electric and Scottish Nuclear over privatisation.

Privatisation will be a crucial element of the nuclear review if Nuclear Electric has its way but Scottish Nuclear is much less convinced about whether it is the right way ahead if the industry wants to expand.

Mr Hayes says the role of the forum should be to reconcile and balance interests. "There are some issues where it will not be possible to have a forum view. There may be others where we have a view but do not want to communicate it."

Generally, however, Mr Hayes will preach the communications gospel. "Any industry that fails to communicate suffers but particularly one, like ours, that is sensitive to public opinion."

He promises a broad brush approach that will include seminars and literature but also wants to investigate the targeting of specific audiences such as members of the CBI and women.

Michael Smith